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TODAY: MONEY  
Continued Page 17

## Air Cargo Suspended For a Week at Hong Kong

**HONG KONG** — Under increasing pressure over the worsening cargo situation at the new Hong Kong International Airport, the government announced Friday that an independent body would be set up to find out what went wrong and who was responsible.

The main freight handler at one of the world's busiest air cargo hubs suspended services for eight more days, delivering a new blow to the \$20 billion project.

Some passenger-plane departures were delayed more than three hours, according to flight information boards, which were still showing inaccurate information. And some passengers were waiting up to an hour to collect baggage.

Chief Secretary Anson Chan, Hong Kong's top civil servant, said the government would appoint two outside experts and an influential figure from

See CARGO, Page 4

## Family of Nigerian Opposition Leader Awaits Autopsy



Some of the wives of Moshood Abiola mourning Friday at the family home in Lagos as they awaited an autopsy report by international experts. Meanwhile, the Nigerian leader pledged a democracy plan soon. Page 3.

## IMF Feeling Heat To Bail Out Russia

### Yeltsin Calls Western Leaders, Lobbying Hard for Support

By Paul Blustein  
Washington Post Service

**WASHINGTON** — As the Russian economy sinks deeper into crisis, pressure is mounting on the International Monetary Fund to save Moscow from a financial catastrophe that could spawn political chaos in the world's second-largest nuclear power.

President Boris Yeltsin lobbied Western leaders for support Friday, as a senior IMF official arrived in Moscow for talks with Russian officials on a multibillion-dollar loan to bail out the economy.

Mr. Yeltsin telephoned Chancellor Helmut Kohl, President Jacques Chirac and Prime Minister Tony Blair in an effort to secure international backing for the package, Russian officials said.

The Russian president also has sought the support of President Bill Clinton, who called for a quick resolution of negotiations with the IMF but stopped short of offering direct U.S. aid.

"It's time, in our view, for these negotiations to come to closure," Mike McCurry, the White House spokesman, said to Reuters.

Mr. McCurry said the two leaders spoke by telephone for 20 minutes, during which Mr. Clinton stressed to Mr. Yeltsin the importance of Russia's quickly carrying out economic and legal reforms to gain investor confidence in that country.

The geopolitical argument for making sure Russia stays afloat economically is powerful, top policymakers acknowledge. Although the Russian economy is not very big or important, the country's crisis poses a nightmare for Washington, which fears that a collapse in the ruble could topple Mr. Yeltsin's reform government and bring extremists to power in a country with thousands of nuclear weapons.

Anatoli Chubais, Mr. Yeltsin's chief debt negotiator, said Friday that a preliminary agreement with the IMF for the aid was now expected Saturday, according to news reports. But IMF officials have been playing it cool in response to earlier statements by Mr. Chubais that Russia expects to conclude an agreement shortly for an IMF-led loan of \$10 billion to \$15 billion. On Thursday he said he expected the agree-

ment Friday.

[Mr. Chirac and Mr. Kohl voiced support for the Russian government's plan, announced by Prime Minister Sergei Kiriyenko on June 23, to tackle its financial crisis during telephone calls, Interfax news agency reported, quoting President Yeltsin's press office.]

[The upper house of the Russian Parliament, meanwhile, approved in principle Mr. Kiriyenko's plan to reduce federal subsidies to the cash-strapped regions and allow them to impose new taxes, Bloomberg News reported.]

[For the program to become law, it first must have the approval of the lower house of Parliament, the State Duma, which meets July 15 and 16 before breaking for vacation on July 17. The program then goes for a final vote by the

See RUSSIA, Page 10

## Low Birthrates Cause Alarm

### Too Few Newborns in Europe to Renew Populations

By Michael Specter  
New York Times Service

**STOCKHOLM** — Mia Hulton is a true woman of the late 20th century. Soft-spoken, well-educated and thoughtful, she sings Renaissance music in a choral group, lives quietly with the man she loves and works like a demon seven days a week.

At 33, she is in full pursuit of an academic career. And despite the fact that she lives in Sweden — which provides more support for women who want families than most other countries — Miss Hulton doesn't see how she can possibly make room in her life for babies. Someday maybe, but certainly not soon.

"There are times when I think perhaps I will be missing something important if I don't have a child," she said.

"But today women finally have so many chances to have the life they want," she added. "To travel and work and learn. It's exciting and demanding. I just find it hard to see where the children would fit in."

Miss Hulton would never consider herself a radical, but she has become a cadre in one of the fundamental social revolutions of the century.

Driven largely by prosperity and freedom, millions of women throughout the developed world are having fewer children than ever before. They stay in school

longer, put more emphasis on work and marry later. As a result, birthrates in many countries are now in a rapid, sustained decline.

Never before — except in times of plague, war and deep economic depression — have birthrates fallen so low, for so long.

What was once regarded universally as a cherished goal — incredibly low birthrates — have now become a cause for alarm in the industrial world. With life expectancy rising at the same time that fertility drops, most developed countries may soon find themselves with lopsided societies that will be nearly impossible to sustain: a large number of elderly and not enough young people working to support them.

The change will affect every program — from health care and education to pension plans and military spending — that requires public funds.

There is no longer a single country in Europe where people are having enough children to replace themselves when they die. Italy recently became the first nation in history where there are more people over the age of 60 than there are under the age of 20. This year Germany, Greece and Spain will probably all cross the same divide.

In many ways, low population growth is won-

See BIRTHS, Page 10



### No Boom In Babies

FERTILITY RATE IN 1995  
The average number of children born to a woman in her lifetime

- 0.00-1.24 ● 1.50-1.74 ○ 2.00+
- 1.25-1.49 ● 1.75-1.99 ○ Not avail.

Source: Eurostat

NYT

## Blair Initiates Last-Ditch Talks To Calm Ulster

By James F. Clarity  
New York Times Service

**BELFAST** — In a last-ditch move to end escalating violence by Protestants in this predominantly Protestant British province, Prime Minister Tony Blair said Friday that he had invited Roman Catholics and Protestants to negotiations on the volatile issue of an Orange Order parade through a Catholic area in Portadown, 25 miles (40 kilometers) southwest of Belfast.

In London, police foiled an attempted bomb attack on Friday evening, Agency France-Press reported. Three men were arrested in possession of an explosive device. Scotland Yard's anti-terrorism branch announced. The three men were going to use the device "within minutes," said the head of the



Riot police manning a barrier Friday during a standoff with Orangemen in Portadown over the route of a parade through a Catholic area.

service, John Grieve. He added: "This evening's arrests are the result of a prolonged investigation into dissident criminal Irish republican terrorist groups and a successful surveillance operation carried out by the Metropolitan Police and MI5." MI5 is Britain's internal security service.

Prime Minister Blair said he would send his chief of staff, Jonathan Powell, to start talks on Saturday between the Catholic residents of the Drumcree neighborhood of Portadown and Prot-

See ULSTER, Page 10

## Alternative to Hashimoto Looks Less Than Exciting

By Nicholas D. Kristof  
New York Times Service

**TOKYO** — Prime Minister Ryutaro Hashimoto may be angering the rest of the world with his reluctance to tackle Japan's economic problems, but if he seems lackluster, it could get worse.

If a poor result in Sunday's parliamentary elections forces Mr. Hashimoto to resign, an outcome that many analysts regard as possible but not probable, there could be some nostalgia for his rule.

The leading candidate to replace Mr. Hashimoto is Foreign Minister Keizo Obuchi, who is one of the few people who by comparison could make Mr. Hashimoto seem dynamic.

While the United States and many Asian countries are desperately hoping that a leader will emerge in Japan who will take charge of the government and begin tough steps to revive the economy, no one in Japan seems to see such a person in the wings, and Mr. Obuchi does not fit that description. Even in a country that over the last decade has specialized in faceless leaders, Mr. Obuchi has had a career that is forgettable.

### NEWS ANALYSIS

"Obuchi has all the pizzazz of a cold pizza," said John Neuffer, a specialist in Japanese politics at the Mitsui Marine Research Institute in Tokyo.

"He wouldn't be calling the shots," Mr. Neuffer added of Mr. Obuchi as prime minister. "He'd simply be a puppet for the party elders."

The prospect raises some intriguing questions about the Japanese political system. One of the buzzwords in Japanese politics is *ridashippu* (from the English word "leadership") but the ruling party may move from a prime minister who has exhibited little of it to a cabinet minister who has demonstrated none.

The answer to the puzzle, according to Japanese politicians and analysts, is that in a virtual one-party state like Japan, the key to rising in politics is seniority and congeniality. And Mr. Obuchi, who has served in Parliament since 1963, is extremely senior and very congenial.

The possibility of Mr. Obuchi's moving into the prime minister's residence arises because a series of opinion polls in the last few days show that the ruling

## It's Hosts Vs. Holders For Soccer Supremacy

By Christopher Clarey  
International Herald Tribune

**PARIS** — The final between France and Brazil is an appropriate finish to the last World Cup of the 20th century.

It will be the nation that launched the globe's biggest sporting event against the nation that has been the most successful in it.

The Federation Internationale de Football Association, better known for obvious reasons by its acronym, FIFA, was formed in this city in 1904, and one of its first proclamations was that it alone had the clout to organize a soccer world championship.

It would take 26 years for two Frenchmen, Jules Rimet and Henri Delaunay, to find a way to use that clout, and it would take 68 more years for 22 Frenchmen and their homespun coach, Aimé Jacquet, to find a way to put their nation in position to win that championship. Now, all the French have to do is beat four-time-champion Brazil.

"The Brazilians are the best team in the world," Jacquet said. "We know it from what we've seen in recent years and from what we've seen in this tournament. But with its enthusiasm and confidence in its abilities, this French team is capable of knocking down mountains."

Of the 32 teams that played in this World Cup, France and Brazil were the only ones that did not have to qualify. While Italy flew nervously north to Russia to play for a place in France and Argentina landed high in the Andes to face Bolivia in its long qualifying group, the French and the Brazilians played friendly matches after essentially meaningless friendlies.

Carlos Alberto Parreira, who coached Brazil to the title in 1994, felt this lack of defining competition, of a bonding experience, might prove detrimental. He was hardly alone in that view, but after a month of competition, France and Brazil are one victory away from another automatic berth for the next World Cup, in 2002.

See CUP, Page 22

## Czech Cabinet Delay

**PRAGUE (AFP)** — The Czech Republic will have to wait "several weeks" for the formation of a new minority government led by the center-left Social Democrats, a spokesman for President Vaclav Havel said Friday. The cabinet is expected to be led by Milos Zeman.

Earlier article, Page 10.

### Newsstand Prices

Bahrain	1,000 BD	Melb.	55 c
Cyprus	£ 1.00	Nigeria	1,250 Naira
Denmark	14.00 DK	Oman	1,250 QR
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Gibraltar	£ 0.85	Rep. Ireland	£ 1.00
Great Britain	£ 0.90	Saudi Arabia	10 SR
Egypt	£ 5.50	S. Africa	£ 12 + VAT
Jordan	1,250 JD	U.A.E.	10.00 Dh
Kuwait	£ 1.20	U.S. (M)	£ 1.20
Malaysia	700 M	Zimbabwe	275 \$40.00



## AGENDA

### Albright Urges Mideast Talks

**WASHINGTON (Reuters)** — Secretary of State Madeleine Albright on Friday pressed Israel and the Palestinians to negotiate directly on Middle East peace issues and renewed her warning that the current impasse cannot continue indefinitely.

Mrs. Albright spoke at a news conference as she began talks with Foreign Minister Amr Moussa of Egypt. A day earlier, two senior Palestinian negotiators met U.S. officials in Washington over efforts to wrap up a U.S.-brokered land and security deal with Israel.

She said that "there is a limited amount that the United States or anyone can do if the parties themselves do not talk with each other to resolve the remaining difficult issues."

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## Reforms Unleash Habibie Foes

### Push by Secessionist Forces Adds to Economic Pressures

By Michael Richardson  
International Herald Tribune

**JAKARTA** — Emboldened by promises of political reform in Indonesia, groups demanding independence are intensifying their activities in East Timor, Irian Jaya and other remote parts of the country, creating new challenges for the government of President B.J. Habibie as it battles to prevent economic collapse.

While there is little risk at present of one of the world's largest island-nations breaking apart, foreign governments and aid agencies providing assistance to Indonesia are concerned that increasing unemployment and food shortages in outlying

areas will fan local grievances and secessionist influence, especially if the armed forces react in a heavy-handed way.

Some Western officials say privately they are worried that if demands for independence in various parts of Indonesia grow stronger, it could trigger a crackdown by the armed forces or even a military takeover of the government.

On a visit to Jakarta that ended Friday, Australia's foreign minister, Alexander Downer, said that he had emphasized in talks with Mr. Habibie and other Indonesian officials that it was very important for the military to exercise "a maximum

See JAPAN, Page 4



## A black and white photograph of an elderly woman standing in front of a damaged, thatched-roof building. She is wearing a light-colored, patterned jacket and has her hand near her face. The building behind her appears to be in ruins, with debris scattered around.

*The Associated Press*

**HORTA, Azores** — About 1,700 minor aftershocks rumbled through the Azores Islands overnight after a 5.8-magnitude earthquake killed eight people and left about 1,500 others homeless, officials said Friday.

The aftershocks caused no injuries or damage, they said.

Emergency services and local people began removing rubble and repairing infrastructure on Faial, the westernmost of the archipelago's 22 volcanic islands, which is part of Portugal.

"We're clearing up now," said Helena Vaz, spokeswoman for the Azores Civil Protection Service. "The homeless people are in army tents and, we're getting back to normal."

The authorities said that the quake, which measured 5.8 on the Richter scale, had destroyed 500 houses on Faial. Damage was estimated at 12 billion escudos (\$64 million).

Eight people were killed in rural villages on the island's eastern coast, the area nearest to the epicenter, which was 15 kilometers (nine miles) away, in the Atlantic.

Emergency aid flown in from the Portuguese mainland, 1,200 kilometers to the west, was being distributed to the island's 5,000 inhabitants.

Prime Minister Antonio Guterres of Portugal visited Faial on Thursday and said he had been "deeply moved" by the destruction and distraught islanders.

The Azores have a population of about 250,000, most of whom make their living from agriculture and fishing.

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# Pentagon Rethinks Missile Shield

By Philip Shenon  
New York Times Service

WASHINGTON — The Defense Department is considering finding a competitor to Lockheed Martin Corp. as the prime contractor on the army's \$15 billion anti-missile system, a project that had been seen as the forerunner of a much larger program to shield the entire nation from missile attack.

The Pentagon said it had decided to consider a second contractor — and possibly, an entirely new design — after five consecutive test failures, the most recent in May, when an anti-missile missile failed to hit its target over the New Mexico desert.

"We are obviously considering this as one of our potential alternatives — restructuring the program," said Lieutenant General Lester Lyles of the air

force, the director of the Pentagon's Ballistic Missile Defense Office.

A second source, depending on when you do it on a program, is not necessarily a panacea," he said Thursday at a news conference, referring to an alternate contractor. "We're examining very closely the costs for bringing out a second source, the time it takes to bring on a second source, whether or not you ask the second source to do a Chinese copy — that is, build the same missile to print — or to have a competing design."

A decision to seek an alternate contractor or another design could delay the anti-missile system for years and would raise new doubts about the feasibility of so-called Star Wars technology to protect the United States from missile attack through the use of satellites, radar and anti-missile missiles. The Pentagon is committed to developing such a missile shield.

A Lockheed spokeswoman, Vinnell Bruce, said the company understood the Pentagon's need to "answer all the questions that are put upon them, to have a thorough look at the alternatives."

The army program now under scrutiny is known as Theater High-Altitude Area Defense, or THAAD, and it is being developed to protect troops in the field from attack by short- and medium-range missiles.

It is supposed to be an improvement on the Patriot missile system, which gained prominence when it was used in the Gulf War in 1991 as a defense against Scud missiles fired by Iraq.

The Pentagon has spent more than \$3.2 billion on the THAAD program, which is about four years behind schedule. There is little hope in the Defense Department that it will meet its deadline to have the weapons ready for use by the army in 2006.

## POLITICAL VOICES

### Secret Talks Held On Tobacco Accord

NEW YORK — Negotiators for producers and state attorneys-general held secret talks in recent weeks to try to craft a new tobacco settlement proposal, said state officials and lawyers familiar with the discussions.

The talks, which follow the collapse last month of a \$516 billion tobacco bill in the Senate, apparently grew out of a court-ordered effort to mediate an upcoming smoking-related lawsuit brought by the state of Washington against the tobacco industry.

The negotiations expanded to include officials from other states with pending lawsuits, including New York, California, Colorado and North Carolina.

One lawyer, who represents numerous states in actions brought against cigarette producers, said that negotiations between the industry and state officials had broken off Wednesday night over monetary and other issues. Another person close to the tobacco

industry confirmed that the talks had broken off over money.

But two state officials said the talks were still alive and that details about them would be discussed at a meeting of state attorneys-general expected to start Monday outside Durango, Colorado. (NYT)

### Republicans Seek Credible Health Bill

WASHINGTON — Republican strategists have conceded that their party needed to pass a credible bill on managed care before the November elections or risk political punishment.

"It's very important for Republicans not to come up with some token effort, because we are perceived as the party that doesn't care about the issue," said Rick Reed, a Republican media consultant who has worked on the managed-care issue. "This issue can only intensify at this point."

This is a pivotal time in Congress, as Democrats in the Senate have begun to carry out their threat to attach their

managed-care bill to essential spending legislation.

On Monday, soon after Democrats tried to add the proposal to a bill to provide money for the Departments of Veterans Affairs and Housing and Urban Development for the next year, Senator Trent Lott of Mississippi, the majority leader, pulled the bill from the Senate floor rather than consider the amendment.

Democrats, led by Senator Tom Daschle of South Dakota, the minority leader, vowed to repeat the tactic on other spending bills, threatening to tie up the Senate, which has 45 business days left to complete legislative business before adjourning for the elections this fall. (NYT)

### Quote/Unquote

President Bill Clinton praising firefighters as the "real American heroes" who beat back flames from Florida's wildfires: "You showed people what the meaning of community is and why we really do depend on each other." (AP)

## Couple That Left Baby to Die In Trash Get Light Jail Terms

By Peter S. Goodman  
Washington Post Service

WILMINGTON, Delaware — Two New Jersey students from comfortable suburban backgrounds have been sentenced to prison for manslaughter by a judge who castigated them for selfishness after their newborn son's body was found discarded in a garbage bin behind the motel where he was born.

"Many young mothers have faced the challenges you had with less support than was available to you," the Superior Court judge, Henry duPont Ridgely, told Amy Grossberg, who was 18 when she gave birth to the child. "Your selfishness caused the death of a child whose life was of no less value than any person in this courtroom."

On Thursday, Judge Ridgely sentenced Ms. Grossberg, who turned 20 Friday, to eight years in prison but then suspended all but two and a half years and ordered her to complete 300 hours of community service. He handed down a similar sentence to her former boyfriend, Brian Peterson, 20, but said his prison time will be six months shorter, citing the fact that he cooperated with prosecutors after agreeing to plead

guilty to manslaughter charges in March. Ms. Grossberg later agreed to plead guilty to the same charge. Wilmington prosecutors originally charged both with first-degree murder, a capital offense.

Their punishment was in line with state sentencing guidelines. They could have received as much as 10 years. Delaware does not have parole, but does reduce prison sentences for good behavior. Attorneys said Ms. Grossberg could be released after 18 months; Mr. Peterson after 16 months.

The sentencing brought to a close a case that has drawn national headlines since the body of the boy was found wrapped in a trash bag behind the Comfort Inn in Newark, Delaware, on a freezing morning in November 1996.

Ms. Grossberg and Mr. Peterson grew up in an affluent section of suburban Bergen County, across the Hudson River from New York City. They attended Ramapo High School, where he was a soccer team co-captain and she aspired to a career as an artist.

Their prom photo graced their high school yearbook, and their romance continued when they went to separate colleges.

### Away From Politics

• The Roman Catholic diocese of Dallas has agreed to pay \$23.4 million to nine former altar boys sexually abused by a priest. The agreement follows a deal to pay \$7.5 million to three other boys abused by the same priest. The total settlement of \$30.9 million was believed to be the largest ever involving the Catholic Church. (Reuters)

• An experienced diver has been found dead inside the bulk of the Italian ocean liner Andrea Doria, one of New England's most famous shipwrecks. Dive teams discovered the body a day after the diver disappeared. The cause of death was unclear. (AP)

• A woman whose nude body was found in a vacant lot in Spokane, Washington, is believed to be the eighth victim of a serial killer, according to a homicide task force looking into the slayings, all of which took place in Spokane and Tacoma. (AP)

• Christopher So, the informant who tipped the National Enquirer to Ennis Cosby's murderer, Mikhail Markhasov, has collected a \$100,000 reward from the tabloid. Mr. So, 34, wore a National Enquirer T-shirt as he accepted the check in Santa Monica, California. (AP)



Mr. Pastrana, right, meeting with Manuel Marulanda, a guerrilla leader. The government released this photo.

## Colombia President-Elect Meets Rebels

By Diana Jean Schemo  
New York Times Service

BOGOTA — President-elect Andres Pastrana has met the top leaders of Colombia's largest guerrilla force and came away pledging to remove security forces from five municipalities and to start peace talks with rebel leaders within 90 days of taking office.

In a brief press statement Thursday afternoon, Mr. Pastrana said that he had met the leaders of the Revolutionary Armed Forces of Colombia to deliver on his top campaign promise, a pledge to negotiate an end to nearly four decades of political violence in Colombia.

A videotape showed Mr. Pastrana shaking hands with leaders of the group, Manuel Marulanda and Jorge Briceño, at a location described only as "somewhere in Colombia."

Mr. Pastrana became the first president to talk directly with the insurgent leaders.

Flying in a small plane under the auspices of the International Committee of the Red Cross, Mr. Pastrana, wearing a yellow polo shirt, was flanked by the rebel leaders in camouflage uniforms.

He said they had raised some "worries" over a 10-point peace plan in his campaign platform, and expressed "political willingness" to hold a dialogue on "the national problem of reaching peace with social justice."

But he declined to answer questions on the discussions, saying the peace process would require "responsibility, seriousness and discretion" by Colombians.

Though Mr. Pastrana had pledged to meet the rebel leaders soon after winning the election June 21, the meeting Thursday was a surprise and was carried out under tight security.

Industrial, ranching and business leaders, who are among those hardest hit by

guerrilla extortion, greeted word of the meeting enthusiastically. "Pastrana is fulfilling his election promises boldly," said Jorge Visbal, head of the Rancheros Federation. "It's an important step forward that must be vigorously and enthusiastically consolidated."

One Colombian news magazine, Cambio 16, re-

ported that the ranchers lost about \$70 million to the rebels last year alone.

The rebel group is Latin America's oldest and most powerful, with intelligence estimates of its numbers running from 10,000 to 15,000 combatants.

The agreement of the rebel group would be crucial to negotiating any lasting peace.

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## TO COIN A PHRASE By Henry Hook

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### Solution to Puzzle of July 4-5

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## ADULTS ONLY ! THE REST ARE OUT OF WORK

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## Senate Reduces Nuclear Sanctions

By Thomas W. Lippman  
Washington Post Service

WASHINGTON — The Senate has voted, 98 to 0, to exempt farm credit programs from the economic sanctions imposed on India and Pakistan following their nuclear weapons tests in May, but only after the bill was stripped of provisions that would have authorized President Bill Clinton to waive the other sanctions as well.

What began as an effort by some senators to give the administration flexibility as it tries to restrain the South Asian arms race was reduced to little more than a farm bill when Senator John Glenn, Democrat of Ohio, threatened a filibuster if the additional waiver provisions were kept in.

Pakistan is the third-largest overseas buyer of U.S. wheat. The measure approved Thursday and sent to the House would exempt from the sanctions sales backed by the Agriculture Department's General Sales Manager program. Without that relief, said Senator Pat Roberts, a Kansas Republican, the sanctions "would effectively lock out

### Wheat Sales Would Be Exempted

American food producers from a market of 1.1 billion consumers," a reference to the combined populations of India and Pakistan.

But the food exemption measure left in place the array of sanctions imposed on India and Pakistan under nuclear anti-proliferation laws, including one sponsored by Mr. Glenn in 1994 that required Mr. Clinton to cut off U.S. aid to the South Asian rivals and oppose financing by international lending institutions.

Several senators said that the law limits the administration's leverage as it tries to persuade India and Pakistan to forswear further tests and begin talks on security issues.

The sanctions are "unduly hampering the president's ability to conduct U.S. foreign policy," said Senator Joseph Biden, the Delaware Democrat. "I hope the Senate Task Force on Sanctions, which I chair with Senator McConnell, will develop proposals to give the president critically needed flexibility to pursue America's national interests more effectively."

Senator Mitch McConnell, Republican of Kentucky, said he voted for the farm credit exemption because "the sanctions are supposed to squeeze the targeted country, not the American producer." "We should not sacrifice our farmers in an effort to put the nuclear genie back in the bottle," he said.

Senator Sam Brownback, also a Kansas Republican, who is chairman of the Foreign Relations subcommittee on the Near East and South Asia, said he was planning a hearing Monday to consider softening the remaining sanctions.

### U.S. and India Confer

Envoys from India and the United States on Friday ended two days of talks in Frankfurt on nuclear arms and other issues and agreed to meet again in New Delhi on July 20 and 21, Press Trust of India said, according to a report by Reuters from the Indian capital.

Mr. Jaswant Singh, deputy chairman Planning Commission of India and Mr. Strobe Talbott, U.S. deputy

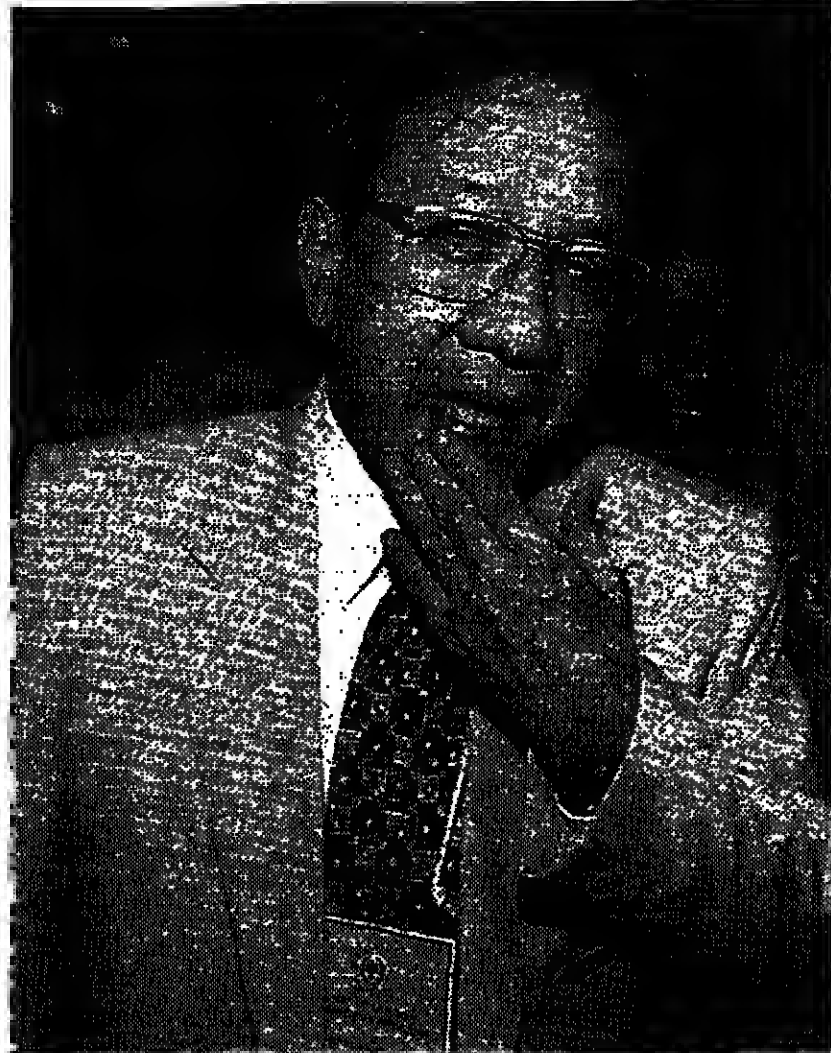
secretary of state, met in Frankfurt on July 9 and 10, the press agency said, quoting from a statement issued in Frankfurt after the meeting. "They continued discussions which began in Washington on June 13 on matters related to disarmament and nonproliferation as well as regional and international development."

"Both sides have agreed that these very useful and constructive contacts will continue," the statement said.

"In that context, they also discussed the agenda for Mr. Talbott's forthcoming visit to Delhi on July 20-21, 1998."

The United States cut off aid and loans to India as a punishment for its decision to conduct nuclear tests in May and called on New Delhi to sign the Comprehensive Test Ban Treaty unconditionally.

Prime Minister Atal Behari Vajpayee said Friday that New Delhi would not bow to pressure to sign the treaty but was ready for talks about it. He said India was prepared to join negotiations on a Fissile Material Cut-off Treaty and make its self-imposed moratorium on further tests a binding obligation.



Akbar Tanjung, President B.J. Habibie's candidate to lead Indonesia's ruling Golkar party, appearing at a three-day party meeting in Jakarta.

## Top Indonesian Party Moves Toward Democratic Change

The Associated Press

JAKARTA — Support for democratic change intensified within the ranks of Indonesia's biggest political organization Friday as a growing number of its officials said they would back an ally of President B.J. Habibie as the new party chief.

A three-day special congress of the Golkar party, once the tool of former President Suharto, is scheduled to end Saturday when 27 officials from each of Indonesia's provinces vote for a new party chairman.

The official Antara news agency quoted 11 representatives as saying they would back Akbar Tanjung, who is state secretary in Mr. Habibie's cabinet and his choice for the party job.

Eight other representatives announced they would support Mr. Akbar's rival, Edy Sudrajat, a retired army general and former defense minister

picked by supporters of Mr. Suharto. Analysts have speculated that Mr. Suharto's followers, many of them retired generals, want to impede change within Golkar and slow down political reform to protect the positions they got during the Suharto era.

Other party representatives were undecided or have named other choices, Antara said. But support for Mr. Akbar could grow following a strong call for reform made by Mr. Habibie in a speech when the congress opened on Thursday.

Mr. Habibie said it must "take proactive steps toward national reform" and "reform itself."

The party must redefine its role and be "more responsive to the people's interests and their aspirations," said Mr. Habibie, who came to power in May after a wave of riots and protests forced Mr. Suharto to quit, ending 32 years of authoritarian rule.

## BRIEFLY

### Taiwan Resolution Is Adopted, 92 to 0

WASHINGTON — A resolution intended to repudiate President Bill Clinton's statements on Taiwan was adopted, 92 to 0, by the Senate on Friday. Democrats insisted that it merely restated a policy embraced by the administration.

The resolution by the Senate majority leader, Trent Lott, Republican of Mississippi, was approved without debate. Mr. Lott said earlier it was needed to "repair the damage" caused by Mr. Clinton's remarks in Shanghai about reunification of Taiwan with the Chinese mainland.

The resolution expresses an expectation that "the future of Taiwan will be determined by peaceful means" and repeats a U.S. pledge to help Taiwan "maintain a sufficient self-defense capability." (AP)

### UN Halts Flights At Kabul Airport

ISLAMABAD, Pakistan — The United Nations said Friday it had suspended flights in and out of the Afghan capital, Kabul, because rocket attacks by the northern opposition alliance had made the city's airport unsafe.

A UN statement issued in Islamabad said the decision had been prompted by two rocket strikes on airport while UN planes were on the ground there, the first on June 30 and the second Saturday.

"Both rockets landed approximately 500 meters from UN planes, passengers, and pilots," the statement said. (Reuters)

### If Needed in Quake, Japan Can Tap Sun

TOKYO — The Japanese government will spend \$30 million this year on the installation of solar- and wind-driven generators to serve as a backup in case of power outages from major earthquakes like the one that devastated Kobe in 1995.

The generators are being installed in public parks and schools, Hajime Wakita, who heads the project for the Ministry of International Trade and Industry, said Thursday.

The generators have been set up at a rate of several dozen per year since the Kobe quake, which killed 6,300 people and left hundreds of thousands without electricity for days or weeks. (AP)

## CARGO: Air Shipments Suspended Another Week at Hong Kong

Continued from Page 1

Hong Kong "to establish what went wrong and where the responsibility lies." The names of the commission members will be announced later.

Problems started with the opening Monday of the territory's new airport, located on an outlying island about 30 kilometers (22 miles) west of the city center.

While passenger services have improved slowly but steadily after a rocky start, it has become increasingly clear that the cargo operation was not ready for the move from the old Kai Tak Airport.

After shifting some operations back to Kai Tak and placing a temporary suspension on some shipments, the main cargo handler, Hong Kong Air Cargo Terminals, took more drastic action overnight.

The government said the handler had informed officials it was halting nearly all cargo shipments through Hong Kong for eight days, except for a few items, including in-bound perishables, newspapers and magazines, and life-saving materials.

Anthony Charter, the main cargo handler's managing director, said the

suspension was needed to solve software and mechanical problems.

He told reporters later Friday that the halt in service would cost the firm 5 million Hong Kong dollars (\$641,000) a day. The company handles 5,000 tons of freight daily, worth 1.7 billion Hong Kong dollars.

James Tien, chairman of Hong Kong's General Chamber of Commerce, told Hong Kong radio that businessmen appreciated that the cargo handler had given a firm reopening date. He also raised the pressure on Mr. Chan and Hong Kong's chief executive, Tung Chee-hwa. The airport problems "prompted investors around the world to question the government's ability to administer Hong Kong," Mr. Tien said.

He said he was surprised that neither Mr. Tung nor Mr. Chan had been to the airport to show their concern. Mr. Chan was there when it opened Monday.

Hong Kong legislators also assailed Airport Authority officials, especially the chief executive, Henry Townsend, on Thursday, saying the airport was a disgrace and Hong Kong had been embarrassed internationally.

The lawmakers, flexing their muscles for the first time since elections in May,

called on Mr. Townsend to resign. On Friday, they said they, too, would set up an inquiry to investigate the issue.

On Friday morning, only one of 12 seafood stalls was open in one of the markets in the tourist and shopping district of Tsimshatsui, and that was only selling local fish.

Other stalls were hosed clean, their walk-in refrigerators locked, garbage removed, and lights switched off. Where some of Hong Kong's top chefs and discriminating housewives shopped for fresh Norwegian salmon, Japanese tuna, and Australian oysters, less than a handful of buyers were choosing only among the local fish.

Hong Kong is one of the busiest air cargo centers in the world, and the Tsimshatsui market one of the more impressive wholesalers in the territory.

The Hong Kong Standard, a newspaper, estimated the cargo suspension would cost the territory at least 23 billion Hong Kong dollars.

The government said it was "gravely concerned" that the halt was necessary. "This would clearly disrupt trade and impact adversely on our economic performance in the short term," it said. (AP, Reuters)

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America's Christian and Jewish leaders should set aside their concern for political correctness and relinquish the evasive tactics of the past. Unless they take hold of the fast-deteriorating situation in the Middle-East, Israel's self-inflicted isolation and escalating abrasiveness will lead to further suffering and vindictive bloodshed in what was once the land of milk and honey.



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## JAPAN: A Look at Alternatives

Continued from Page 1

Liberal Democratic Party is fighting a tough battle for Sunday's election to the upper house of Parliament. The Liberal Democrats are still expected to win three times as many seats as any other party — not a bad result for a party presiding over the worst recession in Japan in a half-century — but it is not clear that they will retain the 61 seats that they now have, among the 126 up for election this year.

The conventional wisdom has been that if Mr. Hashimoto can hold on to 61 seats or win more than that, his job is secure, but that he will face calls for his resignation if he wins 60 or fewer seats.

A poll by the Asahi Shimbun, Japan's most respected newspaper, suggested that the Liberal Democrats would win 59 seats, although with a huge margin of error of six seats in either direction. Other newspapers like the Sankei Shimbun and Tokyo Shimbun showed the Liberal Democrats likely to eke out small gains.

The main opposition party, the Democratic Party, is expected to get about 19 seats, compared with the 12 it has now.

With one-third of the electorate still undecided, the upshot is that any electoral outcome seems plausible, from a major gain by the Liberal Democrats to a loss of several Liberal Democratic seats, leading to a battle to replace Mr. Hashimoto.

The rise of a nice but ineffectual politician like Mr. Obuchi to a post like foreign minister is not unusual in Japan, and the weakness of the country's cabinet ministers has added to the frictions this year between Tokyo and Washington and other capitals.

The two key players in international relations have been Mr. Obuchi and Hikaru Matsunaga, the finance minister, neither of whom speaks English or claims to know much about his field.

Mr. Matsunaga has with disarming frankness explained to Americans that he does not really know anything much about finance because he is a former prosecutor.

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# SAINT



سنتا انا الال



# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Delay Cambodia's Vote

It is not particularly surprising that as the July 26 election day approaches in Cambodia, the campaign is dominated by the dictator, Hun Sen.

His party runs the local and national election commissions. His image and propaganda monopolize the media except for a five-minute daily ad permitted each opposition group. His supporters menace opposition activists, especially in the countryside, and are suspected of political killings.

Yet the outside world is pretending that an acceptably fair election can be held in this climate of intimidation.

All the participants have their own reasons for maintaining the charade. Mr. Hun Sen wants approval from the international community. After he staged a coup a year ago against his co-leader, Prince Norodom Ranariddh, the world cut off the foreign aid that forms half of Cambodia's budget. The United Nations says that Cambodia's UN seat still belongs to Prince Ranariddh. Winning an election would restore these and other international benefits.

The 39-party opposition has decided not to boycott the election, in part due to pressure to participate from the

European Union, the Association of South East Asian Nations and other international groups.

The EU and Japan have largely financed the registration process and campaign infrastructure. The United Nations has sunk nearly \$3 billion into Cambodia in the last few years.

Many diplomats say that Mr. Hun Sen is a reality to be recognized, and one they prefer to his main adversary, the hapless Prince Ranariddh. The Clinton administration, which has wisely declined to give the Mr. Hun Sen government any election money, still joins the rest of the diplomatic world in whitewashing the process.

Cambodia would be best served by postponing its elections a few months, until Mr. Hun Sen can be pressured into permitting a fair campaign environment. But if the international community is determined to go ahead, it must stop apologizing for a dictator and describe conditions in Cambodia honestly. In their rush to normalize relations, diplomats are becoming the dupes of a man who has shown he is determined to retain power at all costs.

—THE NEW YORK TIMES

## Southern Hatred Rising

Senator Trent Lott's recent condemnation of homosexuality and a variety of anti-gay initiatives in Southern communities point up an important trend in American politics, and a threatening one for advocates of inclusive democracy.

Curiously, this more restrictive attitude toward social freedom is linked to a newly expansive exercise of religious freedom. Starting about 20 years ago, evangelical Christians began shedding their traditional aversion to political activism. In the South, especially, they have flooded into the electoral process, settling mainly in the Republican Party.

In doing it, they have charged and changed American politics as has no other force since the civil rights revolution. They have transformed the Republicans, bringing to the party a potent bloc vote, boundless energy and an unwillingness to compromise on certain domestic social issues.

Suddenly, a party that had been centered on economic issues and anti-communism, and that first began to court the Southern vote in the days of segregation, found that its best new troops had concerns other than race: prayer in the schools, abortion and opposition to gay rights. Prayer and abortion got more attention in national campaigns, but the anti-gay theme was there from the beginning.

In fact, the crusade by Anita Bryant, a devout Southern Baptist, against a gay rights ordinance in Miami in 1977 was an early rising of what came to be called the religious right.

The fundamentalists won that contest, reversing the ordinance by referendum, and the two movements — evangelical Christians and gay rights — have been in collision ever since. For the Reverend Jerry Falwell and Pat Robertson, who first brought evangelicals back to politics, and for James Dobson, their newest spokesman, Bible values are absolute. If homo-

sexuals are condemned in scripture, as the fundamentalists say they are, then they must be condemned in society as well. The leaders of conservative religious organizations have been pressing the case with Republicans on Capitol Hill lately — and the effect has been plain to see.

Mr. Lott, the Senate majority leader, said last month that homosexuals are sinners. In Greenville, South Carolina, the pastor of the Choice Hills Baptist Church went him one better. They are "a... in the nostrils of God," the Reverend Stan Craig declared.

As Kevin Sack reported at length in The New York Times, that kind of sentiment has become the fashion among Republican politicians in several Southern states. "The time has come to take a stand," a local school board chairman who was running for state superintendent of education proclaimed. He was talking about banning the Indigo Girls from singing at a high school because of complaints that they were lesbians. He got the Republican nomination.

The new Republican mayor of Myrtle Beach won office by campaigning to stop the opening of the city's first gay bar. The bar opened anyway.

But near Lancaster, South Carolina, a lesbian named Regan Wolf was beaten unconscious and tied spread-eagled on her porch. "Jesus weren't born for you, faggot," a spray-painted message said.

American history is replete with examples of the connection between the politics of bias and violence. Republican leaders ought to take stock of what is happening in their party leaders' press conferences and in its new areas of grassroots primacy.

The party of Lincoln, which freed the slaves so long ago, should not be sowing the seeds of a new hatred on Southern ground.

—THE NEW YORK TIMES

## Unhelpful Expansionism

The deterioration of the Middle East peace process is provoking Palestinians and Israelis alike to unilateral gestures that threaten the bare, lingering chances of resuming the talks. A resumption of good-faith negotiations becomes more difficult, though no less urgent, practically by the day.

Late last month, the Israeli government took a preliminary step on its own toward expanding the boundaries of Jerusalem by roughly half, pushing the lines not only westward into pre-1967 Israel but eastward and northward to envelop Jewish settlers in the West Bank. The step would leave Israel in an improved position to dissect the territory of a prospective Palestinian homeland. It would have the further effect of strengthening a heavily Jewish demographic weight (now 70 percent) in post-1967 Greater Jerusalem — a salient consideration whether or not final-status negotiations on Jerusalem ever begin.

Palestinians protested that Israel was acting unilaterally to preempt negotiations. An internal administrative matter, Prime Minister Benjamin Netanyahu replied.

This week the Palestinian Authority in effect responded — with a step on its own to expand its status in the United Nations. The Palestinians still will be a nonvoting observer in the General Assembly but now can join the debate, sponsor resolutions and take part in conferences. It is not nearly so forbidding and explosive a step as Israel's treatment of Jerusalem, but it bears its own neuralgic quotient for many Israelis. The vote was 124 for, 4 against, the 4 including the United States.

The first American response to Israel's new Jerusalem bid was that it was provocative, insensitive and not helpful to the peace process. Characteristically, the first was followed by a second, backsliding response that merely put the initiative in a general category of actions that raise suspicions and make it more difficult "to get the negotiating process back on track."

The Clinton administration should be clearer. It should be saying that Israel ought to defer its reach for more power in Jerusalem and that the Palestinian Authority should put off exercise of its new General Assembly role.

—THE WASHINGTON POST

## A Half-Century of Spendthrift Nuclear Investment

By Peter Passell

NEW YORK — In September 1951, Senator Brien McMahon laid out the argument for investing heavily in nuclear weapons. "The cost of military firepower based on atomic bombs is hundreds of times cheaper, dollar for dollar, than conventional explosives," he explained.

Nearly a half-century later, scholars at the Brookings Institution have released the first thorough assessment of the cost of nuclear weapons. "Atomic Audit" estimates that \$5.5 trillion in 1996 dollars has been spent by Washington on building, delivering and defending against The Bomb, and the meter is still ticking at the rate of \$35 billion a year.

Just how much money is \$5.5 trillion? It's more than has been spent on Medicare and veterans' benefits combined, though \$2.3 trillion less than the total outlays on Social Security since 1940. Or, if you prefer the fanciful, \$5.5 trillion stacked tightly in bricks made of \$1 bills would be enough to build a wall 8.7 feet high around the equator.

In the icy logic of economics, the benefits may still have exceeded the cost. But the very idea that nukes were initially embraced on such simplistic financial grounds is chilling testament to the sloppiness of military economics.

Mr. McMahon, then the chairman of the Joint Congressional Committee on

Atomic Energy, was right that a one-megaton nuclear weapon cost less than conventional bombs containing 2 billion pounds of TNT. But in giving short shrift to the expense of delivering the nukes, he missed the forest for the merest of saplings.

The Brookings study, directed by Stephen Schwartz, estimates that building the weapons did indeed cost just \$409 billion in today's dollars, 2 percent of defense spending from 1940 through 1996. But the delivery systems — aircraft, missiles and related equipment — added \$3.2 trillion. Targeting nuclear weapons and systems to control their use absorbed \$831 billion. Defenses against nuclear attack have swallowed \$937 billion. The (largely future) cost of managing nuclear waste and dismantling obsolete weapons is projected at some \$400 billion.

What began as a plan to substitute bargain technology for conventional forces took on a life of its own. First with the panicky military buildup during the Korean War. Then with the "missile gap" that became an issue in the 1960 presidential election and morphed into a race with the Soviet Union for superior delivery systems. Still later, the Reagan

administration explicitly used military spending as a strategy for bankrupting the Evil Empire.

The Pentagon could calculate how many bombs would be needed to destroy Soviet rocket forces or to turn Moscow into a parking lot. But as long as the goal was something other than military victory, nuclear sufficiency was a subjective concept. "The closest to one man who would know what the minimum deterrent is would be Khrushchev," General Thomas Powers said in 1960, "and frankly I don't think he knows from one week to another."

Not surprisingly, though, everyone seemed to have an opinion. President Lyndon B. Johnson's Bureau of the Budget, preoccupied with financing the Great Society in 1964, concluded that a force of more than 450 Minuteman missiles was a waste of money. Across the Potomac, the military bureaucracy reckoned the right number was 10,000. Defense Secretary Robert McNamara settled for an even 1,000 missiles.

With the invention of underwater-launched missiles, the navy thought a few dozen Polaris subs would deter the Soviet Union. But the air force thought otherwise, and Congress decided that a "triad" of sea- and land-based missiles along with manned bombers was needed to keep the Russians in their trenches.

Defenders of the nuclear establishment point out that, quibbling aside, the American arsenal succeeded in deterring a catastrophic war. But in Mr. Schwartz's opinion, this is an inadequate rationalization.

For one thing, he says, conventional forces backed by a small nuclear force would have cost far less and might have been equally effective. For another, the failure to contain either the size of the arsenal or the uncertainties associated with technological change made conflict more likely.

The chances of accidental war, for example, were presumably greater with tens of thousands of delivery systems (rather than, say, hundreds). The adoption of hair-trigger response protocols in reaction to the huge numbers of offensive missiles surely increased risks. And the invention of compact warheads that could fit six to a missile made the verification of negotiated arms limits almost impossible.

However one reads the nuclear record, it is hard to deny that the policy evolved with little regard for other ways the cash could have been spent. The scale was so vast that it inspired a variant on Senator Everett Dirksen's hoary quip. A trillion here, a trillion there — and yes, it did add up to real money.

The New York Times

## Britain, India and Pakistan Could Start a Disarmament Club

By Ramesh Thakur and Ralph A. Cossa

TOKYO — The recent tests by India and Pakistan have raised the specter of nuclear warfare that many thought had ended with the Cold War. They also dashed hopes of progress toward universal disarmament. Global strategic realities have been changed.

The international community needs to recognize this and work together to repair the breach and reverse the nuclear tide. Pentamul sulking will not help. Nor are sanctions alone likely to prove effective.

The crisis is genuine. The three wars between India and Pakistan since they gained independence just over 50 years ago, their geographical proximity and the resulting hair-trigger response time for using nuclear weapons, the insurgency in Kashmir, the complicating triangular relationship with China, and their lack of survivable command, control and communications facilities make their nuclear balance unstable.

One strategic reality has not changed, however: Not a single country that had nuclear weapons when the Nuclear Nonproliferation Treaty was signed in 1968 has given them up. Nuclear nonproliferation and disarmament are two sides of the same coin. The whiff of hypocrisy in statements from those who have nuclear weapons robs their condemnation of much value in shaping the nuclear choices of India and Pakistan.

Nuclear weapons are of little military use to anyone any more. But it is difficult to convince some states of this while all who have such weapons insist on keeping them. In present circumstances, there are some security arguments for the United States, Russia, and China to keep nuclear stockpiles even while working more seriously to reduce their numbers. But the continued

possession of nuclear weapons by Britain and France seems to be driven more by national pride and a quest for status than by genuine national security concerns.

A dramatic gesture by either of these states toward genuine nuclear disarmament might be able to reverse the nuclearization trend before India and Pakistan come to blows.

The British government could usefully make a unilateral, but conditional, declaration of nuclear disarmament. Prime Minister Tony Blair could announce that Britain was prepared to give up its nuclear weapons, but only if India and Pakistan renounced the nuclear option and signed the Nuclear Nonproliferation Treaty and the Comprehensive Test Ban Treaty as non-nuclear states.

This is different from unilateral disarmament, which the Labour Party abandoned. Now

there are actually two more nuclear powers. A conditional offer could therefore help to bring about the disarmament of three states.

India has long campaigned for a permanent seat on the UN Security Council and has justified its nuclear program by pointing to the total coincidence of nuclear weapons status with permanent membership of the Security Council. Ironically, India has itself broken the link: There is universal agreement that India's prospects of becoming a permanent member have nose-dived as a result of the nuclear tests.

Britain could complete the break by becoming non-nuclear. There would then be a permanent member of the Security Council that did not have nuclear weapons. The process of reformatting the council could be accelerated. Britain's moral authority in the world would be greatly increased.

A conditional unilateral of-

fer is a no-lose situation for Britain. If the offer is turned down, London would have lost nothing by its gesture.

But the offer just might be taken up. Both India and Pakistan have ended up with a worse security environment than before the tests. Their attention and resources have been diverted from the urgent tasks of economic development. And there has been a cutback in assistance from the outside world.

In the sobering post-test awakening, they might be more receptive to a face-saving formula that permits respectable retreat.

Mr. Thakur is vice rector for Peace and Governance at the UN University in Tokyo. Mr. Cossa is executive director of the Pacific Forum CSIS strategic analysis think tank in Honolulu. They contributed this comment to the International Herald Tribune.

## America Must Now Speak Plainly to Nigeria About Democracy

By Jim Hoagland

WASHINGTON — Out of Africa comes new proof of the old irony: No good deed goes unpunished. Diplomats who row into others' troubled waters to help them out frequently get caught up in the turbulence themselves.

The case in point is Nigeria. Undersecretary of State Thomas Pickering went there to talk on Tuesday with Moshood Abiola, the country's most prominent political prisoner, and seal a controversial deal that could have led to the Nigerian's release, new elections and a return to international respectability for West Africa's most important and most troubled country.

But Mr. Abiola became violently ill while talking to Mr. Pickering. Still under the control of the military junta that seized

power and jailed him four years ago, the Nigerian collapsed and died shortly after at a hospital.

Fantastic, fatal coincidence? Or transparent plot to do in a troublesome politician who may have been balking at the deal the Americans were underwriting? If you lived in a country split by civil war, cruel dictatorship and intense social and ethnic tensions for three decades, which would you be more likely to believe?

Mr. Abiola's family opted for conspiracy theory. The man who should have become Nigeria's democratically elected president in 1993 had either been poisoned or weakened by criminal neglect while in jail, they said.

Others voiced suspicion that

the pressure put on him to renounce his presidential mandate had been deadly in itself. The government's assertion that Mr. Abiola died from cardiac arrest was challenged and further examinations demanded.

No one pointed an accusing finger at Mr. Pickering, a former U.S. ambassador to Nigeria and a career foreign service officer known for his integrity. But his presence at the scene, and the earlier soft handling of the Nigerian dictatorship, make the United States an easy target for blame and suspicion in this case.

This is the Catch-22 of international diplomacy: Doing good deeds frequently means

dealing with the devil and splitting crucial differences. Mr. Abiola's death illustrates the peril of being caught, in mid-deal, by fate and public scrutiny.

The UN secretary-general, Kofi Annan — who brokered Saddam Hussein out of military danger in February and began burning his credentials for this year's Nobel Prize — had worked out the deal on Mr. Abiola's release with the Nigerian military. Mr. Annan said that Mr. Abiola had promised him to give up his mandate.

Some raise the pertinent question of why Mr. Annan and Washington had aligned themselves with the junta's demand that Mr. Abiola renounce his mandate before his release as part of the deal. "We should have insisted on his unconditional release," said Walter Carrington, a recent U.S. ambassador to Nigeria, who pointed out that Mr. Abiola was being "forced to make agreements under duress."

The prize for dealing with the devil in this case was not just more support for a potential Nobel for Mr. Annan but better relations for the industrial countries with one of the world's most important oil exporters. Washington and its diplomatic partners had responded to the 1995 judicial murder of another junta critic, Ken Saro-Wiwa, and other outrages by the dictators with mild rebukes, limited sanctions — and expressions of hopes for better times.

Mr. Pickering was ready to pursue reconciliation with the Nigerians in the wake of the sudden and also mysterious death on June 8 of General Sani Abacha, the previous dictator, and the release by General Abacha's successor, General Abdulsalam Abubakar, of several dozen political prisoners.

The U.S. policy of waiting for peaceful evolution suddenly seemed to have a chance of being vindicated. By doing good — pursuing the conditional release of Mr. Abiola and a gradual move to democracy — Mr. Pickering could also do well for the State Department.

Given the circumstances of Mr. Abiola's death, the United States can no longer take such a dispassionate, supposedly pragmatic approach to the Nigerian tragedy. Whatever room existed for equivocation, for the bending of moral principle in the service of diplomatic accommodation, has been wiped out by the spotlight Mr. Abiola's death focuses on Washington.

The U.S. government must speak and act clearly on the stage of democracy. It needs to dispel suspicions that it was in any fashion part of an unholy deal with a regime guilty of great evil. Dealing with the devil may be an occupational hazard for diplomats and the politicians they serve. But neither does this practice seem to go unpunished.

The Washington Post

## Clinton Did Lasting Harm in China

By Charles Krauthammer

WASHINGTON — President Bill Clinton's trip to China altered relations in Asia in ways that America will long regret.

Mr. Clinton genuinely seems to believe that it was a success. In his universe, where talk and personal contact are everything, his saying a few words and making many contacts launch a new era of Chinese-American relations.

His aides point proudly to his criticism of the Tiananmen massacre in a live news conference with President Jiang Zemin. But Mr. Clinton's criticism was tepid, defensive and rife with moral relativism.

He said: You think Tiananmen was justified. We think it was "wrong." We differ. And what of impact China "the right leadership at the right time."

For a highly repressive regime to win such praise from the world's preeminent democracy is a priceless political asset. You just can't buy that kind of legitimacy.

Such an endorsement can only help prolong the life of this regime, which is contrary to America's concern not only for human rights but for national security.

China at 2000 is what Germany was in 1990: a large non-democratic, have-not power of rising ambition and growing military might.

China's challenge to its

neighbors demands some demonstration of firmness on the part of the "indispensable nation" (Madeleine Albright's favorite phrase) on which world security rests. Yet Mr. Clinton caved completely on Taiwan, parroting Beijing's uncompromising rejection of Taiwan's existence as a separate political entity. He wobbled on conditions for Chinese entry into the World Trade Organization. And he offered not a cross word on Chinese arms sales.

Instead, he heralded "our joint commitment not to provide assistance to ballistic missile programs in South Asia" — this after the Chinese had given Pakistan its nuclear missile force. All this as part of the new U.S.-China "strategic partnership."

This left America's real Asian partners — democracies like Japan, South Korea and Taiwan — gasping. They have no illusions that personal diplomacy of the fuzzy Clinton sort will alter the hard geopolitical fact that China remains a potential adversary.

Rather than reassuring the peoples surrounding China that America is prepared to counterbalance the rising power of the 21st century, Mr. Clinton signaled that his hunger for the Chinese market and desire for pleasing photo-ops will dominate American foreign policy in the region.

Washington Post Writers Group

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Electric Trains

PARIS — The work in connection with the extension of the Orleans railway into Paris as far as the Quai d'Orsay is being pushed forward, and it is hoped that the new line will be open for the 1900 Exhibition. The company is considering the question of the working of the new line, and it has submitted to the Minister of Public Works a plan for using electricity, not only for the lighting of the line and stations, but also as a motive power for the trains. The use of electric locomotives will be one of the novelties of the Exhibition.

### 1923: Lofly Vienna

VIENNA — Vienna will soon have its first sky-scraper. It will have twenty stories. Though official regulations do not allow more floors than six, the scarcity of available apartments is so great that the municipality will

draft a new law. The Viennese sky-scraper will be an apartment and office building all in one. It is planned to give accommodation for 5,000 persons. With 30,000 persons in Vienna on the hunt for flats, it is thought that sky-scrapers are the only solution for the housing shortage.

### 1948: Italian Threat

ROME — Italy's Communists made a threat of revolution as the Italian House of Deputies entered the final hours of its debate on the ratification of the European Recovery Program. Palmiro Togliatti, head of Italy's Communists, made the threat in the course of the final appeal for rejection of the ERP. Mr. Togliatti warned that Italy's "workers are fully conscious of their duty to oppose an imperialist war with a revolt for peace." He gave the deputies to understand that the ERP was part of an American imperialist war effort.

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## Nigerian Ruler Pledges Democracy Plan Soon

Disturbances Break Out in the Southwest

**KADUNA, Nigeria** — Nigeria's military ruler, General Abdulsalam Abubakar, restated Friday his commitment to restore democracy and said he would soon address the nation on a specific plan.

General Abubakar told graduating officers at the Jaji Command and Staff College in this northern city that the challenges the Nigerian armed forces faced could only be met in a stable political environment.

"I shall address the nation very soon on what we have determined to be the best way forward for our fatherland," the general said.

"We are committed to taking Nigeria back to its rightful place among the community of nations, and above all we are committed to taking our military back to its constitutional and professional role of defending the territorial integrity and sovereignty of the nation," he said.

Up to 60 people reportedly have been killed in riots following the death in detention of Moshood Abiola, who is assumed to have been the winner of 1993 elections that were annulled by the military government.

"The ideals of democratic governance, respect for fundamental human rights as well as the peace, stability and progress which we all aspire to can only be achieved with greater tolerance, understanding, co-operation and mutual respect among our people," General Abubakar said.

New disturbances erupted in southwestern Nigeria on Friday over the death of Mr. Abiola as international pathologists carried out an autopsy to verify the cause of his death.

Witnesses in Nigeria's second-largest city, Ibadan, said clashes had broken out between Abiola loyalists and traders whose origins lie in the north, as have those of most of Nigeria's post-independence rulers.

"There is trouble in the Molete and Oke-Ado districts," a journalist said by telephone from Ibadan, a city of two million. "I went to Molete and there was fighting raging there. All the taxis and buses have left the street."

Up to 60 people have died in rioting by Mr. Abiola's supporters in the southwest. His supporters accuse the military government of killing Mr. Abiola.

The autopsy by the international pathologists was demanded by the Abiola family, and welcomed by General Abubakar, to determine whether the cause of death was cardiac arrest, as an official statement had said.

"As long as the autopsy has not been done then there can be no talk of a burial date," the Abiola family doctor, Ore Falomo, said in Lagos. "I think we are more than likely looking at either Saturday or Sunday."

The autopsy was delayed until Friday afternoon by the late arrival in Lagos of one of the international experts.

Mr. Abiola was detained in 1994 under General Abubakar's predecessor, General Sani Abacha, for declaring himself president on the basis of the 1993 election, which was regarded as one of Nigeria's fairest.

The death of General Abacha on June 8 threw the oil-producing country of 104 million people into political confusion, ending a discredited plan to restore democracy through presidential elections in which he was to have been the only candidate.

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### Family Appeals for Calm

Roger Cohen of The New York Times reported from Lagos:

Deprived of its leading figure, the opposition is in some disarray, deeply concerned that further widespread rioting could provide an excuse for a military clampdown or delay movement toward democracy.

There seemed to be little threat of mass protests that could bring down the recently installed leader, General Abubakar, because the opposition is fragmented, Nigeria's unity is fragile and there is no obvious successor to the military ruler.

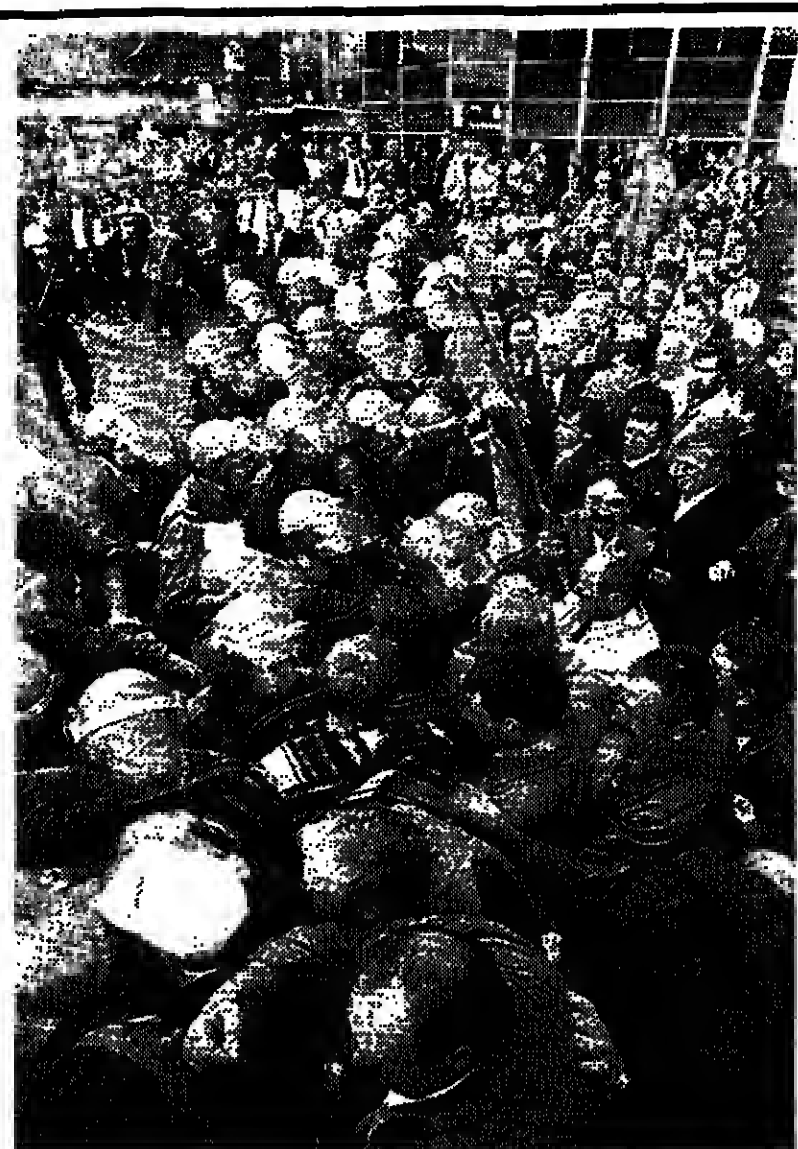
General Abubakar, who has impressed Western officials with his reform-minded moderation since he took office last month, convened the 27-member Provisional Ruling Council, the heart of the country's military authority, Thursday for the second time in two days.

But the meeting adjourned with no announcement on how or when a democratic system might be introduced.

General Abubakar's commitment to change appears clear and was reiterated to the South African deputy president, Thabo Mbeki, who visited Nigeria on Thursday.

But the general faces a delicate choice between a gradual process that could prove too slow to assuage an impatient nation and a rapid shift that might precipitate chaos.

Western officials said Thursday they doubted that an elected president could take office before Jan. 1, 1999.



FARMERS PLOW THE STREETS — Police dispersing farmers with tear gas Friday in Warsaw. About 5,000 farmers demanded government protection for Poland's farms and a cut in imports.

## Marine Aviators to Be Tried for Crash

**CAMP LEJEUNE, North Carolina** — A Marine general on Friday ordered military trials on manslaughter charges for the pilot and navigator of a jet that cut an Italian ski gondola cable and killed 20 people.

Lieutenant General Peter Pace, commander of Marine Corps forces in the Atlantic, determined that there was sufficient evidence to justify a general court-martial of Captain Richard Ashby, the pilot of the EA-6B Prowler anti-radar jet, and Captain Joseph Schweitzer, the navigator.

The statement said the two would face charges of "involuntary manslaughter, negligent homicide, damage to military property, damage to private property and dereliction of duty."

But General Pace dismissed charges against two electronic countermeasures officers, Captain Chandler Seagraves and Captain William Ramey II. They sat in the rear of the jet's cockpit, and evidence during a preliminary hearing showed they had no control over the plane and very limited visibility.

General Pace's decision followed the recommendations of a military judge, Lieutenant Colonel Ronald Rodgers, who presided over hearings at Camp Lejeune of the four Marines.

Marine Corps investigators have said the Prowler was flying too low and too fast on the Feb. 3 training run from

to military property, damage to private property and dereliction of duty."

The plane hit the cable at 370 feet (about 113 meters), well below the minimum permitted altitude of 1,000 feet. The four fliers, all on assignment from Cherry Point Marine Corps Air Station in North Carolina, denied flying recklessly.

The incident, near Cavalese, soured Italian-American relations, prompting calls to close U.S. bases throughout Italy and charges that American fliers routinely "hot-dog" in Italian airspace.

Defense attorneys have said the plane hit the cable after accidentally dipping too low. They said the cable was not marked on charts of the area.

Aviano Air Base in the Italian Alps.

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## Warning Reported For Israeli Leaders

**JERUSALEM** — Israel's domestic security service, the Shin Beth, has warned the government for the first time in the history of the Jewish state of a risk of attacks by Jewish extremists against Israeli officials, a Tel Aviv daily reported Friday.

In a security assessment prepared for the government, the Shin Beth warned that such extremists, inspired by the December 1995 assassination of Prime Minister Yitzhak Rabin, might attack government officials or members of the security forces. Ha'aretz said in a report written by Ze'ev Schiff.

The report warned the risks would increase dramatically in the event of Israel's going ahead with further troop withdrawals from the West Bank, long-overdue under peace agreements with the Palestinians, the paper said.

In recent months, the Shin Beth has stepped up security around Prime Minister Benjamin Netanyahu after he received a number of death threats.

## George Lloyd, Neoromantic Composer, Is Dead

**NEW YORK TIMES SERVICE**  
George Lloyd, 85, an English symphonist and opera composer who rejected the major stylistic currents of the 20th century in favor of the language, coloration and sheer lushness of late Romanticism, died July 3 in London.

Critics were divided about Mr. Lloyd's music. Some found it refreshingly communicative. Others considered it old-fashioned. Even his detractors, however, recognized his compositional voice as authentic and original, not merely a 19th-century pastiche. Although his language was unabashedly tonal, there is a freshness in the melodic writing in the 12 symphonies he composed between 1932 and 1990, and there are engaging complexities in his solo piano works.

Beginning in the late 1970s, when English musicians began reviving his long-neglected scores, Mr. Lloyd

built a strong popular audience. In America, the Albany (New York) Symphony Orchestra offered him a guest conducting position in the late 1980s, and with that orchestra he recorded his Symphony No. 1 and Symphony No. 12 in 1990. He also maintained an association with Albany Records, an enterprising American label that recorded several disks of his music, both in the United States and in Britain.

The success Mr. Lloyd enjoyed during the last 20 years belatedly mirrored that of his early career. He was born in 1913 in the English town of St. Ives in Cornwall. Bouts of rheumatoid fever kept him out of school until he was 11. He completed his Symphony No. 1 when he was 19. Two more symphonies followed in close succession, and by the time he completed the third, in 1935, Mr. Lloyd had also written his first opera.

Having had three symphonies and two operas performed by the age of 25, Mr. Lloyd was regarded as a promising composer when the World War II intervened. He was a gunner on Arctic convoys and a member of the Royal Marine Band when his ship was blown up in 1942. He was rescued, but was severely traumatized, and his childhood health problems reoccurred.

Through the 1950s and '60s he continued to compose, however, between 4:30 and 7:30 A.M. every day.

A story told about Mr. Lloyd in the late 1980s suggests the extent of the popularity that his works had achieved. When Tower Records opened its outlet in London, Mr. Lloyd wandered into its classical department and heard one of his works on the sound system. Surprised, he walked to the counter and asked a salesman, who was dressed in punk

fashion with orange spiked hair and a nose ring, what was playing.

The salesman replied, "Why, sir, it's your Fifth Symphony."

**Wayne Calloway Dies at 62; CEO of PepsiCo for a Decade**

**NEW YORK (NYT)** — Wayne Calloway, 62, the former chairman and chief executive of PepsiCo, who combined a quiet, introspective management style with an intensely competitive business strategy, died Wednesday after a long battle with prostate cancer.

Mr. Calloway became PepsiCo's chief financial officer in 1983 and was named to the top job in 1986. He stepped down in 1996, citing health concerns.

Under Mr. Calloway's direction, PepsiCo acquired Kentucky Fried Chicken. It was spun off last fall. Mr. Calloway saw the market value of PepsiCo increase by \$35 billion.

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### BOOKS

#### GHOST COUNTRY

By Sara Paretsky. 386 pages. \$24.95. Delacorte.

Reviewed by Grace Lichtenstein.

WITH apologies to Sue Grafton, Sara Paretsky's sister crime novelist, G is for guts. Paretsky probably could have kept writing best-selling mysteries forever about her hard-boiled female private investigator, V.I. Warshawski. Instead, she has chosen to leave V.I. behind for the time being in order to produce an ambitious novel about homeless women, religion and miracles. Even if it is not entirely successful, it represents a fascinating stretch.

Paretsky's mysteries always did have an element of outrage against establishment institutions such as hospitals, as well as a feminist-activist perspective. V.I.'s pal Lotzy is a clinic doctor. V.I. dealt with a shelter for battered women, a homeless mother and her children and wealthy do-gooders in the 1994 Warshawski novel "Tunnel Vision."

Hector Tamuz, "Ghost Country's" "hero" — if one can call him that — is an overworked psychiatric resident at

a Chicago hospital who would rather treat patients with therapy than pharmaceuticals but who is thwarted by the cost-containment horrors of managed care and by an unfeeling supervisor.

The book's literal star, and its most charismatic character, is Starr, a mysterious, huge-breasted woman who seems to perform miracles akin to those of Jesus while exuding a sexually charged power over men and women alike.

If this sounds like unpromising material to Paretsky's V.I. fans, don't be put off. "Ghost Country" is a good read, with a dozen interesting characters and a plot that careens along toward either disaster or redemption even when it strains your credulity.

Beneath one of Chicago's ritziest hotels, the Pleiades, lies a fetid passageway, the aptly named Underground Wacker, favored by a group of homeless women. One of them, Madeline Carter, sees what might be rust oozing from a cracked wall but insists it is the blood of the Virgin Mary. Her incantations draw a variety of on-lookers to the scene, including the hotel's legal counsel, Harriet Stonds, the beautiful, brilliant granddaughter of the hospital administrator, Dr. Stonds; Harriet's half-sister, Mara, a lost soul who has run away from the suffocating, straight-laced Stonds household; Luisa Moncrief (born Janice Minsky), an imperious opera diva who has descended into alcoholism and life on

the streets; and Luisa's idealistic niece, Becca, whose father, a scrap iron mogul, is incapable of handling his sister's problems sensitively.

Fearing that they will offend their snooty guests, the hotel tries to drive them away by patching the wall. Hector attempts to intervene, with anti-psychotic drugs, but she flees his care because the drugs interfere with her visions.

Besides, the hospital's administrators want nothing to do with nonpaying charity cases. When Madeline and the women keep returning to the wall, the hotel drives stakes into it. You don't have to be a biblical scholar to see what's coming: Tragedy ensues as a frantic Madeline impales herself on one of the stakes.

All this action is played out against the backdrop of uncaring "families" — especially that of Dr. Stonds. The hospital administrator allows his housekeeper, Hilda, a hard-core who acts like a wicked stepmother, to run his home, berating Mara and intimidating Harriet. The Stonds belong to a church that is equally uncaring. One member of the congregation, a rightist religious zealot com-mo-dities trader, beats his own daughter when he is not preaching on behalf of a fan-tastic men's group called Family Matters. Paretsky's venomous take on the Prom-ise Keepers movement.

The story grows wilder as the site of Madeline's vision becomes a magnet for all

Grace Lichtenstein, former New York Times reporter and the author of six nonfiction books, wrote this for The Washington Post.

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# The Vanishing World of Classic Prints

ملفوظات الامام الاجل





Mia Hulten, 33, and her companion, Ryszard Szukin, 47, chatting in the kitchen of their home in Stockholm. Like many European women, she is focused on her career and has no plans to have children anytime soon.

## BIRTHS: Across Europe, the Number of Newborns Is Too Low to Renew the Populations

Continued from Page 1

derful," said Jean-Claude Chesnais, director of research at the National Institute for the Study of Demography in Paris.

"Certainly to control fertility in China, Bangladesh, much of Africa — that is an absolute triumph," he said. "Yet, we must look beyond simple numbers. And here I think Europe may be in the vanguard of a very profound trend. Because you cannot have a successful world without children in it."

The effects of the shift will resonate far beyond Europe. Last year Japan's fertility rate — the number of children born to the average woman in a lifetime — fell to 1.39, the lowest level it has ever reached in that country.

In the United States, where a large pool of new immigrants helps keep the birthrate higher than in any other prosperous country, the figure is still slightly below an average of 2.1 children per woman — the magic number needed to keep the population from starting to shrink.

Even in the developing world, where overcrowding remains a major cause of desperation and disease, the pace of growth has slowed almost everywhere.

Since 1965, according to United Nations population data, the birthrate in the Third World has been cut in half — from 6 children per woman to 3. In the last decade alone, for example, the figure in Bangladesh has fallen from 6.2 children per woman to 3.4.

Little more than 25 years have passed since a set of computer studies sponsored by the Club of Rome, an international think tank, showed that population pressures would devastate the world by the mid-1990s.

Nothing of the kind has come to pass. The authors of that dire forecast could not have foreseen that women in countries like Italy would now be producing an average of fewer than 1.2 children,

the lowest figure ever recorded among humans, or that the Berlin Wall would disappear, creating economic uncertainties that have frozen the birthrate from the Black Forest to Vladivostok.

There has long been an assumption that low birthrates were better than high birthrates. Fewer people put less strain on the resources of the planet. And, as a country becomes richer its people have fewer children.

If more people are needed, immigration can be a solution — and in many places, specialists now think it is the only one left.

But Europe, unlike the United States, has been resistant to immigration.

Decades ago in Sweden, with its birthrate dwindling, officials decided to try to increase the number of newborns by financially supporting family life with a rare public generosity. Couples who both work and have small children enjoy cash payments, tax incentives and job leaves combined with incredible flexibility to work part-time for as many as eight years after a child's birth.

Sweden spends 10 times more than Italy or Spain on programs intended to support families. It spends nearly three times as much per person on such programs as the United States.

So there should be no surprise that Sweden, despite its wealth, had the highest birthrate in Europe by 1991.

With a population of 10 million people, most of whom are middle class, Sweden may have little in common most other Western countries. But its experience clearly suggests that if countries wanted more babies they would have to pay for them, through tax incentives, parental leave programs and family support. At least that is what nearly all the experts have thought. "We were a mod-

el for the world," said Marten Lagergren, under secretary in the Ministry of Social Health and Welfare, and the official who is responsible for keeping track of the birthrate in Sweden.

"They all came to examine us," he said. "People thought we had some secret. Unfortunately, it seems that we do not."

Sometime after 1990, the bottom dropped out of Sweden's baby boom. Between then and 1995, the birthrate fell sharply, from 2.12 to 1.6.

Most people blamed the economy, which had turned sour and had forced politicians to trim — but ever so slightly — the country's benefit program.

It is normal for people to put off having children when the future looks doubtful, so the change made sense.

But then, the economy got better and the birthrate fell faster and farther than ever. By March of this year, the figure for Sweden was the almost same as that in Japan — 1.42. And officials here think it might be falling even more.

"Nobody on Earth can tell you what is going on here," said Mac Murray, a philosopher trained in statistics who is in charge of strategic planning for the nation's school system.

"Sometimes I think it must be just a hiccup — we've had them before — and everything will turn out the way we expect it to," he said. "But I guess I don't really believe that. I believe we are seeing a fundamental shift in human behavior."

"We have lived for 200 years on the idea of progress. That the future will be better than the past. It's a universal belief — not just in our little country."

"But I think those days have ended now. I have no data to support my views. But young people now seem to have a

**'I believe we are seeing a fundamental shift in human behavior.'**

## RUSSIA: Pressure to Aid Moscow Mounts

Continued from Page 1

upper house.] Russia's financial predicament has gone from bad to worse this week.

Late Thursday, the government postponed for the second time the auctioning of the state oil company, Rosneft, because of a lack of bids. Officials said the sale would be delayed until September or October.

The government hopes to receive more than \$1.5 billion of desperately needed revenue in exchange for controlling interest in the company. Separately, the government, desperate to raise cash to pay debts coming due, offered government bonds for sale at interest rates around 100 percent, but investors bought only about one-quarter of the \$1 billion in bonds.

Meanwhile, senior officials at Moody's Investors Service Inc. warned that to stem a devastating flight of capital, Russia would need a bigger international rescue than previously thought, perhaps as much as \$20 billion.

The 182-nation IMF is wary of throwing good money after bad, having already agreed two years ago to lend Russia \$9.2 billion. The IMF is insisting that before any new money is disbursed to Moscow, Russia must enact far-reaching tax changes to raise revenue and take other painful measures to put its dysfunctional economy on a sounder footing.

Russian leaders "have an abysmal record of announcing policies but not implementing them, and in this particular case things are going to have to be

implemented before we sit around the table and approve more money," an IMF official said. "Chubais is obviously trying to raise expectations and put pressure on us."

[Investors remained optimistic that a deal would be reached, the main RTS index ending the week at 144.02, up 5.75 percent on the day, leaving shares down around 5 percent this week. Agence France-Presse reported from Moscow.] Officials here at the IMF and the World Bank, which also is negotiating with the Russians, refuse to specify how big a package they are contemplating. But they have been warning for weeks that they are in no position by themselves to provide the amounts the Russians are seeking.

The IMF, having committed about \$35 billion to stem crises in three Asian countries, says it has only about \$10 billion to \$15 billion available, and it isn't about to give all of that to Russia, staff members said. The World Bank, already up against credit limits for lending to Russia and also heavily exposed in Asia, is negotiating a loan of about \$500 million to \$600 million for Moscow, according to a spokeswoman.

A bigger loan package might be cobbled together by tapping direct contributions from the United States and other members of the Group of Seven major industrial countries. But the Clinton administration — in part because it fears the political fallout a loan to Russia might engender — has taken the position that aid to Moscow should be strictly multilateral, to the irritation of some officials at the IMF and the World Bank. "These international institutions are getting tapped out," said an international financial official who insisted on anonymity for himself and his institution. "The G-7 are trying to stabilize this cratering world economy without touching a penny of their own money, and one day they're going to have to get real."

Even if the IMF had more money, other experts add, it would be reluctant to provide too big a loan to Russia, because it doesn't want to appear to be riding to the rescue of foreign investors who bought Russian government bonds. Those bonds have offered very attractive interest rates, and the foreign banks and brokerage firms that invested in them have been clamoring for an IMF bailout lest Moscow be forced to devalue the ruble.

But geopolitical concerns may prevail in the end. The IMF, which is heavily influenced by the United States, its largest shareholder, ultimately may have little choice but to concoct a rescue that can convince the financial markets that Moscow has the resources to meet its obligations.

## INDONESIA: Reforms Embolden Foes

Continued from Page 1

of restraint" in handling a recent surge of separatist sentiment in Irian Jaya, an Indonesian province covering the western half of the island of New Guinea.

"There isn't any doubt that if you are too heavy-handed in the way you manage this sentiment, it simply escalates the political tension," he said.

"If you are trying to resolve these sort of secessionist issues, then the way to do it is by developing dialogue and structures of consultation."

Mr. Downer also said that similar restraint by the military was necessary in the disputed former Portuguese colony of East Timor, where three Timorese died in recent weeks in clashes between pro-independence protesters and security forces.

In an earlier statement, the United States also called for maximum restraint this week, saying that it was disturbed by reports that the Indonesian military had used force against demonstrators in Irian Jaya.

Meanwhile, the Indonesian Muslim leader Amien Rais warned Friday that his country was entering a dangerous phase and risked falling apart if economic and political challenges were not met. Agence France-Presse reported from Kuala Lumpur, Malaysia, where Mr. Rais spoke at Malaysia University.

"Indonesia is going through a crucial period now," Mr. Rais said. "I find that the syndrome of Yugoslavia and Russia is seeping into Indonesia."

Several thousand tribesmen raised a separatist flag in the remote mountain valley of Wamena on Tuesday, after pro-independence rallies led by students in several of Irian Jaya's main towns.

Since taking over as head of state in May after President Suharto was forced to resign amid intensifying riots and demonstrations, Mr. Habibie has promised to carry out wide-ranging political and economic reforms that the United States and many other major donor nations say are essential if stability in Indonesia is to be restored.

But diplomats and analysts said that promises of greater tolerance, weakening central government control, and rising resentment and hardship in some of the least developed parts of Indonesia were prompting secessionist groups to intensify their long-suppressed activities, not just in East Timor and Irian Jaya, but in Aceh Province on the island of Sumatra, and in the Moluccas.

They said that a common feature of

## Prague Gets New Leader Amid Havel Skepticism

The Associated Press

PRAGUE — President Vaclav Havel will name Milos Zeman prime minister next week despite doubts about a tolerance pact struck between Mr. Zeman and the former prime minister, Vaclav Klaus, and the former prime minister, a presidential adviser said Friday.

On Thursday, Mr. Havel said he would "most probably" name Mr. Zeman prime minister but would seek outside counsel on whether the agreement between the head of the Social Democrats and the former prime minister, Vaclav Klaus, violates the constitution.

Under the agreement, Mr. Klaus's party will permit the formation of the new minority government under Mr. Zeman by leaving Parliament during the vote on approval.

In exchange, Mr. Klaus's party will be allowed to appoint the speakers of both chambers of Parliament and the chairmen of key parliamentary committees.

Both parties also agreed not to initiate a no-confidence vote during the lower chamber's four-year term and not to push to dissolve the chamber before the term's end.

Each side also promised not to form a coalition or an alliance with a third party to the detriment of each other's party.

Mr. Havel called the deal a "non-standard solution," adding he was worried the two leaders could share power in the country for a long time, obliterating the influence of small parties and limiting political pluralism.

Under the agreement Mr. Zeman and Mr. Klaus control 137 seats in the 200-seat legislature.

Jiri Pehe, the president's chief political adviser, predicted that despite his doubts Mr. Havel will name Mr. Zeman prime minister.

On Friday Mr. Zeman dismissed Mr. Havel's worries as unfounded. He said the pact would not change the program that his party published before the elections.

## ULSTER: Blair Initiates Last-Ditch Talks on March to Avert Northern Ireland Violence

Continued from Page 1

said: "This is an attempt, and a genuine attempt, to address what are very difficult circumstances through dialogue. What the whole peace process has been about is to replace terror and violence with dialogue and democracy."

Politicians and security officials fear that if there is no resolution of the dispute by Saturday night, thousands of Orangemen from all over the province will march on Drumcree and clash with the hundreds of police and British soldiers blocking the roads connecting the Protestant and Catholic neighborhoods.

Since Sunday, Protestants have attacked police with more than 500 gasolene bombs, hijacked and burned dozens of cars and blocked major roads.

Four police officers were hospitalized Friday morning after surgery for injuries from shrapnel and a fifth was admitted after being hit by ball bearings fired by slingshot from a crowd of 20,000 or more massed near a rural church outside Portadown.

Police fired plastic bullets at demonstrators who breached security barriers. Nine people were arrested. It was the fifth night of violence since authorities stopped a march by the Orange Order from passing through a Catholic neighborhood.

"The incidents last night are deplored by ourselves, but it is understandable. People see that peaceful protest isn't getting them anywhere," said David Jones, a spokesman for the Orange Order, Northern Ireland's largest Protestant brotherhood.

Officials, Catholic and Protestant alike, fear that more violence is likely over the weekend, when tens of thousands of Orangemen march throughout the province to celebrate the victory at the Battle of the Boyne in 1690 of the Protestant William of Orange over his Catholic father-in-law, King James II. The victory established the Protestant Ascendancy and English rule in Ireland.

By increasing Catholic and Protestant hostility, the Drumcree crisis threatens the stability of the Northern Ireland peace agreement, approved in May. The agreement provides the province with a new assembly to restructure provincial

politics and give the Catholic minority more political power. If Protestant members of the assembly were to resign over the banning of the parade, the new surety could fall apart, leading to a resumption of widespread sectarian warfare.

As the news of Mr. Blair's initiative became known Friday evening, the province seemed to heave a small sigh of relief, however tentative.

At the Europa Hotel, which has been devastated repeatedly in the last 10 years by Irish Republican Army bombs, the staff was somewhat relieved.

"Anything at all that seems possible for sorting out this situation is certainly something to be optimistic about," said Gerard Gillan, the concierge.

**Search for Compromise**

Leaders of Northern Ireland's new assembly sought Friday to drum up support for compromise over a blocked Protestant march. The Associated Press reported, but a spokesman for the marchers said he feared the impasse would lead to a lethal clash pitting Protestant hardliners against police and soldiers.

Prime Minister Blair said in a television interview that the law would be enforced and that he would not tolerate attacks on security forces.

David Trimble, the newly elected first minister of Northern Ireland's assembly, and his deputy, Seamus Mallon, were

meeting with religious, business and labor leaders, hoping to drum up support for compromise.

"We haven't given up, nor will we give up. We will endeavor to see what we can do to reach an accommodation," said Mr. Trimble, a member of the Orange Order and leader of the Ulster Unionist Party, which gets most of the Protestant vote in Northern Ireland.

The long-dreaded confrontation over the Drumcree march has provoked the worst violence in Northern Ireland since eight parties agreed in April on a new government that would share power between Catholics and Protestants. This was approved by Northern Ireland residents in a referendum the next month.

"I hope everyone remains calm and peaceful and realizes that we must not let this process, which has been agreed by the people in the referendum, agreed by people through their votes for the new assembly, to be hijacked by extremists from any side," Mr. Blair said.

Engineers repaired barbed-wire lines breached by demonstrators and expanded ditches dug to channel the marchers.

Orange leaders said they regretted the attacks by their supporters but they also said worse violence might develop.

Hundreds of Orange marches are scheduled for Monday. The vast majority are expected to cause no trouble. But Anglican Archbishop Robin Eames

said he feared that "nothing on earth" could control the crowds at Drumcree, which had swollen to 20,000 or more Thursday night.

The protest is rapidly getting out of control, I would plead with both sides to take the long view," Archbishop Eames said.

The archbishop joined Catholic, Presbyterian and Methodist leaders at a meeting with Mr. Trimble, the newly elected first minister of the assembly, and his deputy, Mr. Mallon.

## Pope Appoints Head Of Church in France

Agence France-Presse

VATICAN CITY — Pope John Paul II on Friday appointed the archbishop of Aix-en-Provence, Louis-Marie Billé, to become the new primate of the French Roman Catholic Church.

Archbishop Billé, 60, assumes the title of archbishop of Lyon and Roanne, the historic seat of the foundation of the church in France. He was bishop of Laval between 1984 and 1995 before succeeding to Aix-en-Provence.

Archbishop Billé's predecessor as primate of the French church was Monsignor Jean Balland, who died of lung cancer in March at age 63.

## Royal Intrigue in Britain: Chance Meeting Or Not?

Reuters

LONDON — Was it really a chance meeting?

The British media debated on Friday whether what was billed as the first get-together between Prince Charles's lover and his son was just that — or part of a clever royal strategy to win her public acceptance.

As the tabloid The Sun defended its "scoop" about Camilla Parker Bowles and how she had "trembled like a leaf" when she met young Prince William, other newspapers saw manipulative palace tactics at work.

"Camilla and William — a cunning leak or just careless talk?" asked the Daily Telegraph. The newspaper asked whether a new royal "spin doctor" had leaked the story to soften up public hostility toward the

woman widely blamed for wrecking Prince Charles's marriage with the late Diana, Princess of Wales.

The Express newspaper, a competitor of The Sun's, said it was not the first meeting between the 16-year-old Prince William and Mrs. Parker Bowles, who has been close to Prince Charles for almost three decades.

Prince William and Mrs. Parker Bowles were at the same fox hunt last December, The Express said.

And Prince William and his younger brother, Prince Harry, "were introduced to their father's mistress as young children while Princess Diana was still alive," The Express said, quoting senior palace aides.

Diana died last Aug. 31 in a car crash in Paris. Prince Charles and Mrs. Parker Bowles met in 1970 and had a three-year romance that later re-

surned. Diana, who was jealous of Mrs. Parker Bowles, told a BBC interviewer that there had been three people in her unhappy marriage to Prince Charles.

The Express noted that the meeting had helped divert attention from a dispute over Labour government lobbying and wondered if this was a coincidence.

The Sun continued focusing on Mrs. Parker Bowles on Friday with a banner headline urging Prince Charles: "Show Us You Love Her."

"For goodness sake, get on with it!" the paper said in a front-page editorial. "You're 50 in November. Charles. The clock is ticking. Don't leave it too late to enjoy an open relationship with Camilla."

Paper Money  
One Billionaire

Japan's U.S.

CURRE



## Paper Money on the Net: One Billionaire's Primer

Amazon.com Rewrites Bookselling Script

By David Streitfeld  
Washington Post Service

SEATTLE — The first billion is always the hardest. It took Jeff Bezos four years. He made his second over the last six weeks. Even by the overhyped standards of the late '90s, this is quick.

Mr. Bezos, 34, does not act rich. He lives with his wife in a tiny rented apartment, drives a Honda Accord, works out of a shabby office that has a view of a pawnshop and a wig store. His desk is a recycled door with legs attached.

Most of his wealth exists on paper. He owns 19.8 million shares of the on-line bookseller Amazon.com, which he founded in 1994 and whose stock closed Friday at \$100 a share, up from \$45 in early June and about \$11 a year ago. That was even after a drop of more than \$20 in the past four days as some analysts started to question the stock's stratospheric valuation.

Paper has been good to Mr. Bezos. He was not the first to see that the Internet offered a useful way to match up people and books, but he pushed the concept harder and faster. Three years after making his first sale, Amazon is the third-biggest bookseller in the United States.

So far, the company has defied prognosticators who said the two biggest, Barnes & Noble Inc. and Borders Group, would quickly crush it. But while Amazon stockholders are making money, the company is not. And it recently had to raise funds by issuing bonds that were promptly labeled junk by Wall Street.

Nevertheless, the company has changed the landscape of book retailing. For the first time, nearly any book is only a mouse click and a few days away from any reader in the country. And that is changing the way publishers publish and readers read.

Only a few years ago, futurists were predicting that the digital age would be the death of conventional publishing. Text would be downloaded from a central source. Interactivity would give readers the power to customize plots. Anyone could be a publisher.

Instead, one of the hottest businesses on the Internet is selling old-fashioned books — and not just bestsellers but poetry and weighty academic tomes and forgotten treasures of years gone by.

"Those of us who like postmodern ironic humor," said an Amazon vice president, Rick Ayre, "really appreciate the fact that the most successful e-commerce is the product that this medium was supposed to eliminate."

Yet Amazon's current dominance could vanish as rapidly as it was achieved. This explains the extreme reluctance of its employees to speak on virtually any aspect of the company. Ask the most basic questions — How many people work in customer service now as opposed to a year ago? What is the most popular category of books sold by Amazon? — and the answer almost invariably is, "Jeff wouldn't like me to tell you that."

Mr. Bezos does not want to provide any help to Barnes & Noble, whose on-line division got a late start. "To be nine times bigger than your nearest competitor," he said, "you actually only have to be 10 percent better."

One reason for Amazon's success is its willingness to advertise. At one point, the company was spending an incredible \$36 in marketing for every \$100 in sales. Because Amazon is merely a middleman in the book business — it uses the same supply pipeline as ordinary bookstores — establishing a name for itself was crucial.

It worked. Amazon, which will sell about \$400 million worth of books, music and videos this year, is on the verge of becoming as recognizable as Starbucks coffee — the last retailer to come out of Seattle and invade the country's consciousness.

"Amazon brilliantly, and at great expense, has branded," the book publisher Peter Ornos said. "When people think of ordering a book on-line, they think of Amazon. It's like Xerox. It's entered the language."

The concept of on-line bookselling is simple: Instead of people going in search of books, make it so the books can come to them. But it is safe to say that the book world itself did not anticipate such a possibility, or it would have tried to create something like Amazon. "I didn't think of it," said John Ingram, chairman of Ingram Book Co., the wholesaler that ships Amazon the majority of its titles. "Before 1995, I'm not sure I knew what the Internet was."

It took Mr. Bezos, a Princeton graduate whose previous job was running a Wall Street hedge fund, to see the potential. Already, he has entered business mythology — how Mr. Bezos in 1994 noticed the explosive growth of this newfangled thing called the World Wide Web. He wanted in by the smartest available route. Methodically, he drew up a list of products that could be sold on the Internet, including computers, software, music, videos, clothing.



Jeff Bezos, above, avoiding the trappings of a billionaire in the Seattle offices of the Internet bookseller he founded, Amazon.com. At left, Michael Mabue working in the warehouse.



He chose books because of the variety of product (more than a million titles in print), because no one merchandiser dominated the market (Barnes & Noble, the largest, had only about a 12 percent share) and because computers could be very useful in helping customers in ill-defined searches for hazy remembered volumes.

That decided, Mr. Bezos quit his job so fast he could not even tell his movers exactly where he was going. He just headed west, thinking about the best place to base his new venture.

California was out because it had too many people — all of whom would have to pay sales tax if they bought any books from an in-state company. Colorado was a possibility, but Mr. Bezos finally picked Seattle for its high-tech environment as well as access to an Ingram warehouse.

In a business using the most sophisticated technology, Mr. Bezos's whole purpose is to retrieve something that thrived in the past.

"I want to transport on-line bookselling," he said, "back to the days of the small bookseller, who got to know you very well and would say things like, 'I know you like John Irving, and guess what, here's this new author. I think he's a lot like John Irving.'"

Once the customer has made his choice, a premium is put on speed. Most books arrive at the front door only a few days after the order is sent. "I abide by the theory that says in the late 20th century, the scarcest resource is

See AMAZON, Page 15

## Asia Crisis Bites Into SAP Profit

Share Price Slumps 4.4%  
On Earnings Slowdown

Compiled by Our Staff From Publishers

FRANKFURT — SAP AG, the biggest software maker in Europe, said Friday that the effects of Asia's financial crisis on its second-quarter business were worse than expected. The admission caused its shares to slump 4.4 percent.

SAP, which will give details about its mid-year results on July 20, said trouble in Asia had slowed its profit growth to 40 percent in the second quarter from a stellar 72 percent growth in the first quarter.

SAP, a darling of the German stock market, saw its preference shares fall 46 Deutsche marks on Friday to close at 979 DM (\$534).

Even at that level, the shares are still up 76 percent this year, while the blue-chip DAX index is up 39 percent.

SAP's market value is second in Germany only to Allianz AG, the country's largest insurer.

"In the second quarter of 1998, the Asian crisis had a greater effect on earnings than was anticipated," the company said.

Slumping currencies in countries like Japan and South Korea cut Asia sales and made SAP the latest Western company to warn that economic problems in the region would hurt profit.

But the company said it still expected pretax profit for the full year to rise between 30 percent and 35 percent. Sales rose 60 percent in the first half, SAP said, although costs rose 66 percent.

Analysts said they were somewhat surprised by the announcement, but that SAP's business in corporate management software remained solid.

"SAP still is the undisputed leader in its market," said Hans Peter Wodniok at Credit Lyonnais.

The company also said that rising labor costs were denting profit.

Competition for top software developers forced SAP to offer a lucrative profit-sharing program that helped boost costs more than sales. Unveiled in March, the so-called Star program will pay employees bonuses based on this year's increase in SAP's share price.

"Hiring new workers always boosts costs, and it's understandable that Asia had an effect, but the figures are still excellent," said Walter Schmidt, a fund manager at Gerling Investment Kapitalanlagegesellschaft mbH in Cologne. "We can't expect growth of 60 percent every year." (Reuters, Bloomberg)

## Japan's U.S. Buying Spree Ends as Banks Retreat

By Andrew Pollack  
New York Times Service

LOS ANGELES — Overcome by bad loans in their home country, Japanese banks and other financial institutions are in a broad retreat from the U.S. market, closing offices and cutting back on their lending to American companies.

The situation represents a sharp reversal from the late 1980s and the early 1990s, when Japanese banks were expanding rapidly in California and elsewhere in the United States, gaining market share by aggressive lending at low rates and even raising some concern that the Japanese would dominate banking as they did consumer electronics.

Now, Japanese banks are wary about making new loans or renewing old ones. "Basically, they're gone, on the sidelines," said an executive at an American bank in charge of making syndicated loans to corporations who spoke on condition of anonymity.

Japanese banks accounted for less than 10 percent of the syndicated loans provided to U.S. companies with investment-grade credit ratings in the first quarter of 1998, down from 26 percent in the comparable quarter a year earlier, according to Loan Pricing Corp., a market research firm in New York.

Japanese banks either are pulling out of the United States altogether or are

consolidating operations in New York. The number of Japanese banks with offices in New York has fallen to 55 from 70 in the past few years, according to a compilation made in February by Yomiuri Shimbun, a Japanese newspaper. The number with offices in Los Angeles has dropped to 17 from 25, and in Chicago to 16 from 21.

Some Japanese banks are also selling part of their U.S. operations. Fuji Bank raised about \$1 billion by selling a minority stake in Heller Financial Inc., a finance company in Chicago, in an initial public offering at the end of April. In March, Sumitomo Bank sold Sumitomo Bank of California to Zions Bancorp of Utah for \$546 million.

It also sold off pieces and shut down the rest of its operation that made loans to small and medium-sized businesses.

The Japanese banking crisis is also accelerating the sale of Japanese-owned hotels, office buildings and golf courses in the United States, many of which were bought at exorbitant prices in the late 1980s. Nikko Securities Co., for instance, just agreed to sell the Watergate Hotel in Washington to the Blackstone Group for \$39 million.

"It's like a fire sale," said Shunhei Okuda, president of Mitsui Fudosan USA, the U.S. arm of a Japanese real estate company. "They have to sell, especially when the bank presses the

borrowers who own the property to sell and repay the money."

The sharp retreat from lending by Japanese banks has contributed to a modest increase in interest rates paid by U.S. corporate borrowers, bankers and analysts said. Some big financings have taken longer to arrange.

But by and large, the retreat from the U.S. market by the Japanese banks has had little effect on the U.S. economy because there are many other sources of credit for companies. This contrasts sharply to the situation in Japan and in other parts of Asia, where cutbacks in lending by Japanese banks have contributed to a credit crunch that has driven some companies into bankruptcy and worsened economic downturns.

In the United States, the pullback from lending by Japanese banks has been counterbalanced by financial deregulation in Japan, which has made it easier for Japanese to invest overseas. With the dollar strong and interest rates higher in the United States than in Japan, Japanese money has moved into U.S. stocks, bonds and banks, helping keep interest rates low and stocks high.

One big fear has not materialized: that the crisis would force Japanese government and financial institutions to sell off their U.S. Treasury bonds, causing U.S. interest rates to rise and slowing the economy. A hint of such a sale by

Prime Minister Ryutaro Hashimoto of Japan caused the U.S. stock markets to plunge one day last year.

But Treasury bonds are proving attractive to Japanese and other foreign investors because they pay higher interest rates compared with similar securities in Japan.

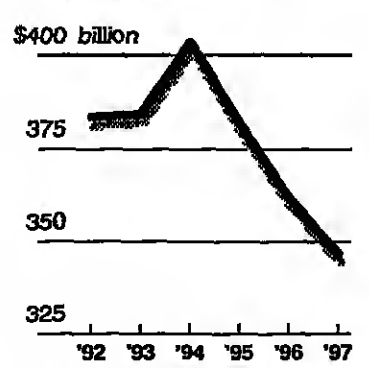
The most important effect of the Japanese banking crisis on the United States is likely to come not from cutbacks by Japanese banks in the United States but more indirectly. The banking crisis is helping plunge Japan into recession, which hurts U.S. exports and also is making it difficult for the rest of Asia to recover.

Thus far, the most obvious effect in the United States is less lending by Japanese banks. Beset by at least \$600 billion in problem loans, mainly on Japanese real estate, Japanese banks are struggling to maintain capital levels equal to 8 percent of assets, a requirement for international banks. With their capital eroding from loan losses and the weak Japanese stock market, the banks are having to reduce assets, which generally means loans.

In the United States, assets held by Japanese-owned bank branches dropped to \$347 billion at the end of 1997 from \$404 billion at the end of 1994, according to the Federal Reserve. Without a big base of dollar-denom-

### Japanese Banks Pull Back

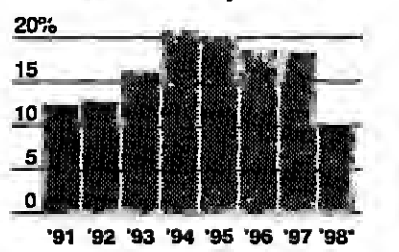
Assets of Japanese banks in the United States.



Sources: Loan Pricing Corporation; Federal Reserve Bank, San Francisco

Total percentage of loans made by Japanese banks to American companies with good credit ratings.

These loans are at lower interest rates because borrowers are considered less likely to default.



First quarter

inated deposits, Japanese banks and other finance companies generally borrow from other banks to obtain the money they then lend out in the United States. But because of fears about the health of the Japanese banking system, Japanese banks have had to pay higher rates for this borrowed money than U.S. or European banks do.

"We're priced out of the market for U.S. companies," said Edward Bjelke, executive vice president of Sanwa Bank Ltd. in New York.

The bank's outstanding loans in the

United States have fallen to about \$40 billion from \$72 billion a few years ago, he said. This week, Sanwa said it would liquidate Sanwa Securities (USA) Co. and refocus its investment banking activities on the more profitable derivatives business.

The Japanese banks pulling out of the U.S. market so far have been mainly smaller, regional banks.

The head of the Los Angeles office of a big Japanese bank said that with fewer loans being made, decision-making was being concentrated in New York.

### CURRENCY & INTEREST RATES

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## Hong Kong Tracks Increase in Cases of Graft

By Joshua Fellman  
Bloomberg News

HONG KONG — In the run-up to Hong Kong's return to Chinese rule last year, many warned that corruption and cronyism would quickly engulf the former British colony.

With Communist cadres and Beijing bureaucrats calling the shots, the doom-sayers warned, the territory would struggle to maintain its reputation as one of Asia's cleanest cities.

Twelve months later, the Independent Commission Against Corruption in Hong Kong said graft reports rose 24 percent in the first half of this year — but capitalism, not communism, was to blame.

Some members of the commission — and many others here — blame this apparent increase in graft on rising unemployment, a tumbling stock market and an economy that is sliding into recession.

"The economy strikes me as a better explanation than the change in leadership in Hong Kong," said Mac Overton, a fund manager with MBF Asia

Capital Ltd. But some analysts say an increase in corruption reports does not necessarily mean an increase in graft.

"We believe the economic downturn has a direct bearing on the increase in reports," a commission spokesman said. "Management and staff appeared to be much more prepared to report corruption to protect their own interests as profits dwindled."

In the past year, four small local brokerages collapsed amid allegations of misconduct; a senior customs officer was nabbed for tipping off people about to be raided; a former managing director of Rockefeller & Co. (Far East) Ltd. was charged in a \$7.75 million bribe scandal; and a leading local newspaper was found to have inflated circulation figures.

At the same, Hong Kong has been shaken by an economic slowdown across the region. The territory's economy shrank 2 percent in the first quarter, unemployment is running at a 14-year-high of 4.2 percent, and retail sales and tourist arrivals are numbing. In this more competitive environment, compa-

nies are less willing to put up with secret commissions, kickbacks and other illegal practices, the commission said.

In the first half of this year, 1,780 complaints were made to the commission — a 1,200-strong body that has police-like powers to search for corruption in government and industry.

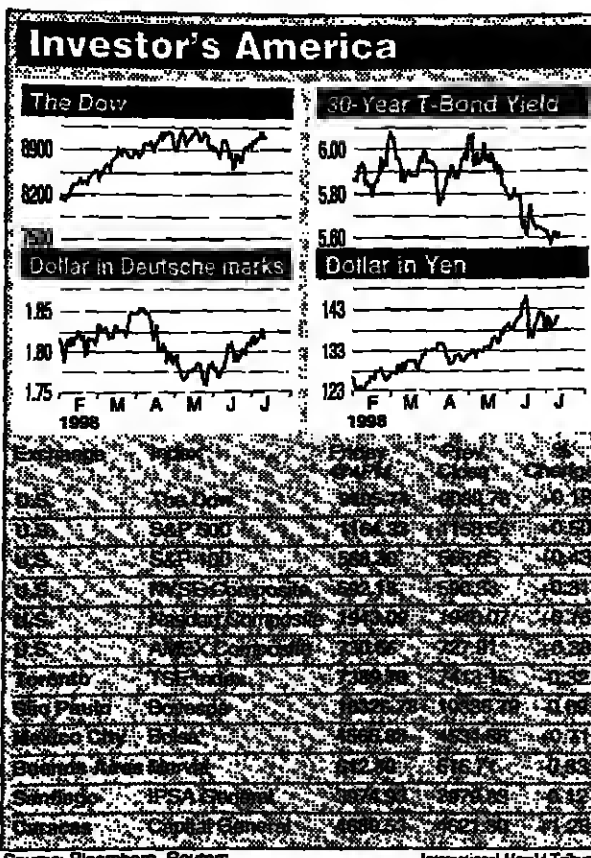
Complaints against the private sector rose 23.6 percent to 909. Corruption allegations against the police rose to 295 from 243 during the first six months of the year, while complaints against other government departments also rose.

Still, the country with Asia's second-largest stock market and the world's fifth-largest banking center is eager to keep its reputation as one of Asia's cleanest cities for doing business.

Within the past two years, a number of executives have been charged, including people linked to Sing Tao Holdings Ltd. and C.A. Pacific Group, a securities brokerage that is partly owned by Capital Asia Ltd. And a senior officer at the Customs Department was arrested by the commission after telling copy-right pirates when they would be raided.



## THE AMERICAS



## Very briefly:

- Boeing Co. raised base prices on most commercial jet models by 5 percent, effective July 1. It was the first increase in base prices since 1975, except for annual adjustments for inflation.
- United Parcel Service of America Inc., the world's largest package delivery company, told the Teamsters union it would not create 2,000 full-time jobs as promised last year in a settlement that ended a national strike. The company cited an escape clause eliminating the commitment if shipments failed to return to pre-strike levels.
- Wells Fargo & Co. reversed an earlier decision to cut off its customers who use Apple Computers Inc. machines to access their Wells accounts. The earlier move would have affected only 7,000 users, or 1 percent of the bank's on-line banking customers, but many of them reacted unhappily, the bank said.
- The E.W. Scripps Co.'s second-quarter earnings fell slightly on acquisition costs, a weak performance from its broadcast television group and weak revenue from newspapers. Scripps earned \$36.4 million, or 45 cents per diluted share, in the quarter ended June 30, up from \$38.6 million, or 47 cents per share, a year ago.
- Laidlaw Inc., North America's largest provider of passenger-bus and ambulance services, will fire 700 employees from its health-care services unit by the end of August to reduce costs.
- E\*Trade Group Inc. will get a \$400 million investment from Softbank Corp., which will give the Japanese software company a 27.2 percent stake in the company.
- Zapata Corp., the fish oil and packaging company that formed a new business to focus on the Internet, said it would buy closely held CoolChat Inc., which has an on-line discussion area with 300,000 members.
- Chancellor Media Corp. will buy 50 percent of Grupo Radio Centro SA, Mexico's biggest radio broadcaster, for \$237 million in cash and stock.

## Beware of Baiting Big Board

Customers Are Winning Less Often in Feuds With Exchange

By Gretchen Morgenson  
New York Times Service

NEW YORK — The New York Stock Exchange may be the market of choice for investors who want the best execution of their securities trades. But Jonathan Kord Lagemann, a securities lawyer in New York, says those lodging complaints against their brokers appear less likely to succeed at the exchange's arbitration department.

He bases his conclusion on the results of customer arbitration cases filed at nine self-regulatory securities organizations since 1980. Mr. Lagemann found that the percentage of arbitration hearings held by regulators at the Big Board that led to awards for customers fell to 41.4 percent last year from 51.3 percent in 1990.

The trend is the opposite at the highest American self-regulatory organization, the National Association of Securities Dealers, which

operates the Nasdaq market. Last year, 58.4 percent of the customers who brought complaints against their brokerage firms there won something. In 1990, 54 percent did.

Mr. Lagemann recently pointed out this widening gap between the two exchanges in a letter to the Securities and Exchange Commission.

Chris Ullman, a spokesman for the commission, said: "While statistics can tell different stories, this study has piqued our interest, and we are going to look into it."

The arbitration information that Mr. Lagemann consulted goes back to 1980 and was compiled by the Securities Industry Conference on Arbitration, a rule-making body formed at the Securities and Exchange Commission's behest in 1976. It includes customer cases that went before the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, as well as the regional exchanges and the Muni-

pal Securities Rulemaking Board.

A total of 6,665 arbitration cases were filed by customers against their brokerage firms last year. The bulk of the cases — 90 percent, or 5,997 — went to regulators at the National Association of Securities Dealers. A distant second was the New York Stock Exchange, which received 546.

Like most securities lawyers contacted for this article, Mr. Lagemann gives the New York Stock Exchange high marks for efficiency and staff professionalism in its handling of arbitration cases. "In all respects other than the win rates, arbitrating at the New York Stock Exchange is far preferable," Mr. Lagemann said.

James Buck, senior vice president and secretary of the New York Stock Exchange, said that the question should not be why the Big Board has lower victory rates, but why the National Association of Securities Dealers has higher rates.

## Dollar Slips as Russia Worries Ease

Bloomberg Business News

NEW YORK — The dollar fell against the Deutsche mark Friday on expectations for the International Monetary Fund to soon grant an emergency loan to Russia, allaying investors' concern about Germany, Russia's biggest lender and trading partner.

"Negative developments in Russia spill over into Germany more than any other country," said Ivar Bjornstad, treasurer in charge of foreign exchange at Den norske Bank. "One tends to sell marks when things look

hairy in Russia, and to buy them when things turn down."

The dollar fell 1.8165 Deutsche marks in 4 P.M. trading from 1.8285 DM on Thursday. It fell

## FOREIGN EXCHANGE

to 6.0923 French francs from 6.1290 francs and to 1.5380 Swiss francs from 1.5415 francs. The pound rose to \$1.6330 from \$1.6317.

"Russia is too big to let it fail by the IMF not doing anything," said Alan Yau, a fund manager at Fi-

duciary Trust International Ltd.

"The IMF should come in with a refinancing package for Russia and then we will see the Deutsche mark back at 1.80."

Russia must make debt payments of more than \$1 billion a week and about \$30 billion this year, and its central bank reserves have fallen to about \$15 billion. Some economists say Russia may devalue its currency to help it meet ruble-denominated debt. Such a move is likely to drag down the mark further.

The mark was also weighed down by expectations that interest rates would not be raised any time soon in Germany. Consumer prices rose only 0.1 percent in June in Germany, a report Friday showed, slowing from a 0.3 percent gain the previous month.

"There's an underlying feeling that Germany is going to hold the line on rates," said Rick Porter, manager of foreign-exchange sales at Kredietbank.

The dollar slipped against the yen amid speculation that Japan may soon propose permanent income-tax cuts that are seen as vital to spurring consumer demand and easing the nation's economy out of a recession.

The dollar fell to 141.07 yen from 141.13 yen Thursday.

## Wal-Mart Buys Stake in Korean Stores

Bloomberg Business News

BENTONVILLE, Arkansas — Wal-Mart Stores Inc. said Friday that it acquired a majority interest in four stores and six sites in South Korea, continuing its international expansion in an economically depressed region of the world.

Terms were not disclosed.

Wal-Mart, the world's largest retailer, is buying the stake in three stores in Seoul and one in Taejeon previously operated by Korea Makro. The store had sales last year of more than \$160 million.

In its international expansion drive, Wal-Mart has bought stakes in retailers from Mexico to Germany, and last month announced plans to build at least six more stores in China in the next two years. It has two there now.

"Asia continues to be an important part of our long-term growth strategy, and Korea is an example where well-thought-out, carefully timed opportunities exist in the region," said Bob Martin, chief executive of Wal-Mart's international operations.

## Earnings Jitters Keep Wall Street on Edge

Compiled by Our Staff From Dispatches

NEW YORK — Stocks finished mixed Friday, with upbeat economic news being offset by worries that big companies will report weaker profits in the coming weeks.

The Dow Jones industrial average closed up 15.96 points at 9,105.74, while the Standard & Poor's 500 index ended 5.77 points higher at 1,164.33 and the Nasdaq composite index edged up 3.27 points to a record 1,943.09.

But declining issues outnumbered advancing ones by a 4-to-3 ratio on the New York Stock Exchange.

The market drew support from government data showing subdued inflation at the wholesale level last

month. The numbers were seen as unlikely to push the Federal Reserve Board to guard against inflation by slowing the economy with higher interest rates.

But prospects for steady or lower interest rates could not erase concerns that ongoing economic turmoil in Asia is likely to wash up in America in the form of lower corporate earnings.

Over the next two weeks, many companies will report their results from the just-ended second quarter. On Thursday, the blue-chip stocks fell 85 points after Du Pont warned that its second-quarter profit would not meet analysts' expectations, partly because of trouble in Asia.

Du Pont fell 2 on Friday, to 68 1/4.

"Earnings are the concern today, and will remain a concern for the rest of the year," said Art Micheletti, investment strategist at Baird Biehl and Kaiser.

Expectations for weak earnings are already hitting many stocks, including Santa Cruz Operation, a software company, which fell 1 1/2 to 39 1/2, and Danmark International, a marketing company, which lost 1 1/4 to 7.

Many Internet-related stocks fell on concerns that they had risen too high to justify their profit outlooks. Yahoo!, and Internet directory company, fell 2 1/4 to 18 1/4, while Lycos, a Yahoo! rival, lost 3 1/2 to 6 1/4.

But banks and other financial companies are expected to post generally strong profits, and those shares rose. Citicorp added 3 1/2 to 171 9/16, J.P. Morgan rose 1 1/2 to 126 and Mellon Bank gained 1 7/8 to 73 15/16.

"Money is moving into financials because they're not expected to have the same earnings worries we've been seeing in other groups," said Raphael Soifer, an analyst at Brown Brothers Hariman.

Tobacco stocks were strong as cigarette makers worked on a plan to settle 37 potentially crippling lawsuits by states.

"As soon as you get news of a settlement, you can start factoring in numbers in your model and evaluate these stocks as businesses," said Doug Myers, head of equity trading at Interstate/Johnson Lane Inc. "That's a real boost."

Philip Morris rose 3/4 to 40 and RJR Nabisco Holdings rose 5/16 to 24 1/4.

RJR also got a lift from news that Carl Icahn bought about 10 million shares. The purchases, equal to 3 percent of the company's shares, represent the second time the financier has taken a major stake in the maker of Camel and Winston cigarettes. The investor tried to take over the company in 1995 and 1996.

In the Treasury bond market, the price of the benchmark 30-year issue slipped 9/32 point to 107 5/32, sending the yield up to 5.62 percent from 5.60 percent Thursday.

Prospects for Russia and the International Monetary Fund to agree on an aid package sapped demand from investors seeking the haven of U.S. securities. (Bloomberg, AP)

## U.S. STOCKS

month. The numbers were seen as unlikely to push the Federal Reserve Board to guard against inflation by slowing the economy with higher interest rates.

But prospects for steady or lower interest rates could not erase concerns that ongoing economic turmoil in Asia is likely to wash up in America in the form of lower corporate earnings.

## Wholesale Prices Slip 0.1% in June

The Associated Press

WASHINGTON — U.S. inflation at the wholesale level dipped 0.1 percent in June as a second big monthly jump in drug costs was offset by falling energy prices, the Labor Department said Friday.

The producer price index, which measures inflation pressures before they reach the consumer, fell for the fourth time this year, following gains of 0.2 percent in both April and May.

Excluding the volatile energy and food categories, the so-called core rate of inflation at the wholesale level was up 0.2 percent, matching the gains in April and May.

The June decline was led by a 1.7 percent drop in energy prices. Drug costs, which had soared a record 10.7 percent in May, were up again in June, rising 3.2 percent.

The Trib Index				
	Level	Change	% change	year to date % change
World Index	200.55	+0.07	+0.03	+16.52
Regional Indices				
Asia/Pacific	83.62	-1.74	-2.04	-12.96
Europe	239.64	-0.27	-0.11	+24.14
N. America	263.03	+1.95	+0.75	+21.78
S. America	135.16	+0.82	+0.61	-11.47
Industrial Indices				
Capital goods	282.66	+0.38	+0.15	+27.15
Consumer goods	236.91	+0.09	+0.04	+12.96
Energy	207.24	-0.41	-0.20	+6.30
Finance	146.69	+0.25	+0.17	+19.29
Miscellaneous	150.29	-2.51	-1.59	+4.29
Raw Materials	202.77	-1.94	-0.95	+21.24
Services	210.91	+0.66	+0.31	+21.00
Utilities	170.32	-0.37	-0.22	+2.07

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 250 internationally investible stocks from 25 countries.

Compiled by Bloomberg News.

## AMEX

## Friday's 4 P.M. Close

The 200 most traded stocks of the day, up to the closing on Wall Street.

The Associated Press.

Stock	High	Low	Open	Close
IBM	112 1/2	112 1/4	112 1/4	112 1/4
Microsoft	54 1/2	54 1/4	54 1/4	54 1/4
Oracle	47 1/2	47 1/4	47 1/4	47 1/4
Intel	35 1/2	35 1/4	35 1/4	35 1/4
Apple	34 1/2	34 1/4	34 1/4	34 1/4
Amazon	24 1/2	24 1/4	24 1/4	24 1/4
Yahoo	18 1/2	18 1/4	18 1/4	18 1/4
Alibaba	17 1/2	17 1/4	17 1/4	17 1/4
Google	16 1/2	16 1/4	16 1/4	16 1/4
Facebook	15 1/2	15 1/4	15 1/4	15 1/4
Twitter	14 1/2	14 1/4	14 1/4	14 1/4
LinkedIn	13 1/2	13 1/4	13 1/4	13 1/4
Slack	12 1/2	12 1/4	12 1/4	12 1/4
Dropbox	11 1/2	11 1/4	11 1/4	11 1/4
Evernote	10 1/2	10 1/4	10 1/4	10 1/4
OneDrive	9 1/2	9 1/4	9 1/4	9 1/4
Box.com	8 1/2	8 1/4	8 1/4	8 1/4
Dropbox	7 1/2	7 1/4	7 1/4	7 1/4
Evernote	6 1/2	6 1/4	6 1/4	6 1/4
OneDrive	5 1/2	5 1/4	5 1/4	5 1/4
Box.com	4 1/2	4 1/4	4 1/4	4 1/4
Dropbox	3 1/2	3 1/4	3 1/4	3 1/4
Evernote	2 1/2	2 1/4	2 1/4	2 1/4
OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
Box.com	1 1/2	1 1/4	1 1/4	1 1/4
Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
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OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
Evernote	1 1/2	1 1/4	1 1/4	1 1/4
OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
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OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
Evernote	1 1/2	1 1/4	1 1/4	1 1/4
OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
Evernote	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
Evernote	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
Evernote	1 1/2	1 1/4	1 1/4	1 1/4
OneDrive	1 1/2	1 1/4	1 1/4	1 1/4
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Dropbox	1 1/2	1 1/4	1 1/4	1 1/4
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## EUROPE

## A Struggle For Power At Telecom

Compiled by Our Staff From Dispatches

MILAN—The boardroom battle between two of Telecom Italia SpA's top executives heated up Friday, with the chairman demanding the resignation of the head of its cellular telephone services company.

Chairman Gian Mario Rossignolo asked Vito Gambale, the chairman of Telecom Italia Mobile SpA, to leave. The mobile division is the most profitable unit of Telecom Italia.

Mr. Gambale said he was unaware of the request for his resignation but said he expected the company's board on Friday to approve Mr. Rossignolo's recommendation for his ouster.

Instead, the board created an executive management committee in a move that analysts said was designed to limit Mr. Rossignolo's power. It left Mr. Gambale's future undecided.

The stand-off between the two executives is the latest episode in a power struggle that has enveloped Telecom Italia since its privatization last year and Mr. Rossignolo's appointment as chairman in February.

"I am beginning to wonder about the management ability of Rossignolo," said Geoffrey Tirm, a fund manager at Talisman Capital. "He seems to be doing a lot of reshuffling and realignment of management with no clearly articulated plans."

Mr. Gambale and Mr. Rossignolo had fallen out over the structure of management. Mr. Rossignolo emerged from a shareholders' meeting in June saying the management structure "would not change an inch."

Mr. Rossignolo has in the past six months cut back on two of the company's biggest investment projects, quashed a sale of cables maker Stri SpA to Pirelli SpA, pushed out top management and trashed a planned partnership with AT&T Corp.

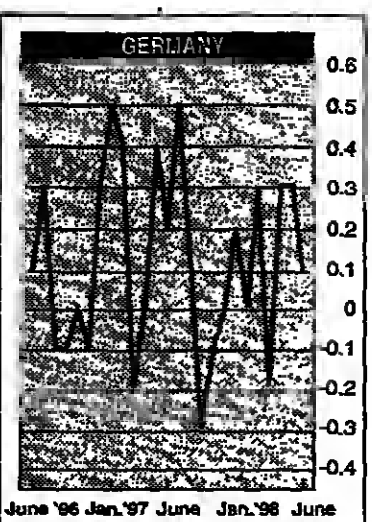
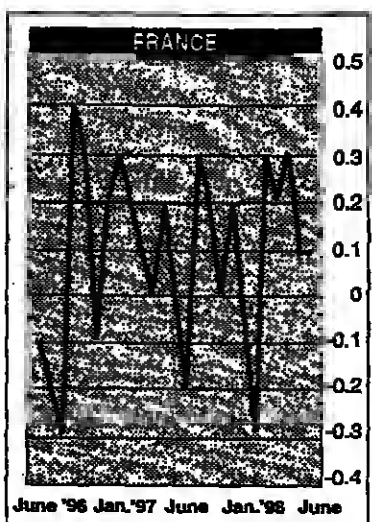
Mr. Gambale was appointed director-general of telephone and cellular operations by Mr. Rossignolo at the end of April. He was simultaneously promoted to chairman of Telecom Italia Mobile, where he was previously chief executive officer.

## Europe's Persistent Low Inflation

Consumer price inflation remains tame in France and Germany, the European Union's two largest economies.

The monthly percentage increase for June in their respective consumer price indexes was 0.1 percent.

Source: Bloomberg



International Herald Tribune

## Prices Tame in France and Germany

Compiled by Our Staff From Dispatches

FRANKFURT—Inflation remained tame in France and Germany in June, confirming the absence of price pressures in the euro zone. But the data, released Friday, did not put to rest a stern warning on budgets given by central bankers this week.

Consumer prices in both countries rose 0.1 percent in June, with the annualized inflation rate at 1.0 percent in France and 1.2 percent in Germany.

The figures follow upbeat assessments of the near-term inflation outlook given by Wim Duisenberg, president of the European Central Bank, and Hans Tietmeyer, president of the central bank of Germany. Both said this week that there were no signs of accelerating inflation but warned that some of the 11 countries scheduled to adopt the single currency were beginning to relax their budget discipline, and that this could eventually stoke inflationary pressures.

Mr. Tietmeyer said Thursday that the Bundesbank might need to increase interest rates this year if some of Germany's fellow members of the euro zone failed to tighten their fiscal policies.

His comments came after Mr. Duisenberg said on Wednesday that he had presented a "yellow card"—the soccer term for a warning to players—to European finance ministers because some were failing to meet pledges to cut budget deficits.

Mr. Duisenberg said Europe was on course for continued low inflation, but he added that with economic growth picking up, the 11 euro nations should devote the "growth dividend" resulting from higher tax revenues to reducing deficits and debt levels.

Interest rates still differ widely in the 11 countries and must converge ahead of the introduction of the euro, when the European Central Bank will set one interest rate for the entire currency area.

The Bundesbank and the Bank of France last interest rates unchanged Thursday. Several Bundesbank officials have said they do not think that a German rate rise will be necessary over the summer.

"It will be difficult to raise rates when inflation is clearly absent," said Jan Hatzis, economist at Goldman Sachs & Co.

But some countries adopting the euro may find it difficult to live with interest rates as low as those in Germany and France. In Ireland, the inflation rate climbed to a six-year high of 2.9 percent in June. Cutting the country's 6.75 percent benchmark interest rate could fuel further inflation.

As Europe prepares for the single currency, it is getting help from Asia in keeping inflation under control. The slide in Asian currencies has reduced the cost of imports from that region. (Reuters, Bloomberg)

## GEC Merges Defense Unit With Italian State Firm

Bloomberg News

LONDON—General Electric Co. of Britain and Italy's state-owned Finmeccanica SpA have merged parts of their defense electronics units into a new business with sales of \$1.6 billion, speeding a shakeout in Europe's defense industry.

The joint venture agreement, signed Thursday, brings together businesses from GEC-Marconi Ltd., GEC's defense unit, and Alenia Finmeccanica's defense business, and will be run by Peter Brown of GEC-Marconi's Radar & Defense Systems unit.

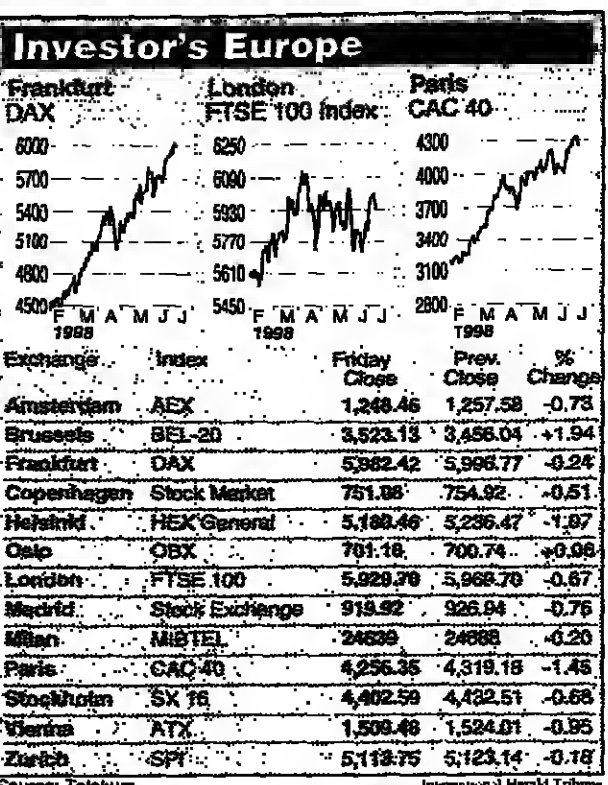
The creation of Alenia Marconi Systems NV comes as Europe's weapons industry seeks to match a wave of U.S. mergers. The U.S. links have produced companies such as Lockheed Martin Corp. and Boeing Co., powerful rivals for contracts because of their lean cost structures and large research budgets.

European defense ministers meeting Friday in Paris said they hoped to form a pan-European company by October that would wrap together aerospace and defense assets, would be listed on the stock exchange, and would be free from government influence.

Ministers from France, Germany, Italy, Spain, Sweden and Britain agreed in March to create a single company that could one day include assets of Airbus Industrie partners, Daimler-Benz Aerospace AG, Aerospaciale of France, British Aerospace PLC and Construcciones Aeronauticas SA of Spain as well as smaller companies.

On Friday, the ministers said such a company should be run "on a commercial basis by a single management structure, should have access to the private capital markets and be listed on the stock exchange and should not be dominated by any individual shareholder."

Still, there may be many obstacles to the plan if Airbus is used as a model. After years of talks, partners in the 28-year-old group are only just getting around to bringing assets under one umbrella to create one entity and have already said they will not meet their Jan. 1, 1999, deadline.



## Very briefly:

• Scotts Co. of the United States plans to buy Rhone-Poulenc Jardin, a unit of Rhone-Poulenc SA of France that is the largest consumer lawn and garden company in Continental Europe, and ASEP, a privately held lawn and garden company in the Netherlands, for a total of about \$220 million.

• Rabobank Nederland agreed to absorb Cooperatie Achmea Groep U.A., a Netherlands-based insurer that brings 8 billion guilders (\$3.9 billion) in capital to Rabobank, one of the largest Dutch banking and insurance companies.

• Disneyland Paris parade dancers ended a 17-day strike after the French government refused to name a mediator in the dispute, in which the operator of the theme park, Euro Disney SCA, had turned down their request for higher pay.

• Pierre Cardin, the French fashion house, is considering an initial stock offering. The namesake founder of the company might sell about 20 percent to the public, a spokesman said.

• TF1, the French television channel, is charging the highest advertising rates in French television history for the World Cup soccer final Sunday between France and Brazil: 1.5 million francs (\$245,000) for a 30-second spot at halftime.

• Cap Gemini NV, the Dutch unit of Cap Gemini SA, the French computer-services company, reported that preliminary first-half profit rose 30 percent, to 69.7 million guilders (\$33.8 million), or 1.63 guilders a share, from 53.7 million guilders, or 1.26 guilders a share, a year earlier.

• Hungary's central bank cut its repurchase and deposit rates by half a percentage point. The one-month deposit rate fell to 17.5 percent, the overnight and one-week repurchase rates to 23 percent and the one-week deposit rate to 17 percent.

• Dassault Systemes SA of France agreed to develop card-printing software with Daimler-Benz AG of Germany to speed product development and cut costs. (Bloomberg, Reuters)

## WORLD STOCK MARKETS

Friday, July 10

Daily prices in local currencies.

Tend: +

High Low Close Prev.

Amsterdam

ASEX index: 1248.46

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EMC			dd	777	100%	10%	10%	1.4
CR	.83	6.1	q	1192	104%	6%	6%	1.4
ROF	.42	7.1	q	1125	6%	6%	6%	1.4
IN	.49	7.1	q	1709	6%	6%	6%	1.4
AM	.58	8.1	q	836	7%	7%	7%	1.4
IFM	.58	6.4	q	246	9%	9%	9%	1.4
NGI	1.24	4.7	12	212	26%	26%	26%	1.4
Prp	1.24	4.7	22	2752	65%	65%	64%	1.4

**Continued on Page 16**

7011



## ASIA/PACIFIC

PT Freeport  
On Defensive

**Bloomberg Business News**  
**JAKARTA** — Indonesia's biggest taxpayer, the giant mining corporation PT Freeport Indonesia, denied Friday it had received special treatment from former President Suharto. It also warned that its profit would fall this year because of falling metals prices.

Adrianto Machibire, the company's president-director, dismissed persistent allegations in the local press of corrupt practices by Freeport.

The Indonesian company is a unit of Freeport-McMoran Copper & Gold Inc. of the United States.

Freeport Indonesia will be "less profitable in 1998 than it was in 1997," said Steve Jones, the executive vice president.



Adrianto Machibire, president-director of PT Freeport Indonesia, denying to reporters on Friday that his mining company profited from connections with former President Suharto.

## Asian Stocks Tumble

## Japan Economic Concerns Trigger Slide

Compiled by Our Staff From Dispatches

**HONG KONG** — A slide in Japan's stock market triggered a sell-off across Asia on Friday as fears grew that a tumbling yen would trigger another round of financial chaos in the region.

Japan's benchmark Nikkei-225 stock average closed down 2.2 percent, at 16,090.06 points, after a leader of the ruling party said income taxes would be reduced by 10 percent more than 4 trillion yen (\$28.6 billion) next year.

"It simply isn't enough," said Kazunori Shimono, a manager at Ryoko Securities Co.'s futures and options sections. "With social insurance premiums scheduled to be raised next year, the market is looking at a net increase in the national tax burden."

Investors were also concerned that the ruling Liberal Democratic Party could fail to win new seats in an election for the upper house of Parliament on Sunday.

The markets were looking to the election to gauge Prime Minister Ryutaro Hashimoto's chances of strengthening his position as he deals with a recession-hit economy. The election is for half of the 252 seats in the upper house of Parliament. The LDP holds 118 seats in the chamber, of which 61 are up for election.

Many stock strategists said they expected the party would be able to hang on to that number of seats but added that if it were to lose any, the resulting political turmoil could hurt the market, at least temporarily.

Japan's failure to take stronger steps to reform its economy, Asia's biggest, heightened concern the rest of the region would remain mired in recession. That sent stocks in Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Indonesia, Australia and the Philippines tumbling.

"Most international fund managers are avoiding Asia, their emphasis now is on Europe," said Charles Lamb, a fund manager for MeePierson Asia Ltd. in Hong Kong.

In Hong Kong, stocks suffered their biggest drop in three weeks as a weak yen drove borrowing costs higher, hurting banks and developers. The Hang Seng index dropped 2.7 percent, to 8,205.77.

South Korea's benchmark index fell 3.1 percent, to 309.28 points, on concerns that escalating labor strife and the yen's decline would further hurt South Korean exports.

Malaysia's benchmark stock index fell 4.3 percent, to 428.62, with

banks and property stocks falling as the rupiah slid against the dollar and concern mounted about the extent of Malaysian companies' debt problems.

"If the currency continues tanking, I don't think you're going to see much of a recovery," said Lai Tak Heong, the head of Malaysian research at SG Research in Kuala Lumpur.

In Indonesia, political uncertainty weighed on the stock market. The benchmark Jakarta Composite Index fell 1.4 percent, to 463.58, amid concern the government's political power base could fragment, undermining the rupiah and eroding the value of stocks.

"What investors are waiting for is a return to political stability," said Derrick Lee Hong Peng, an analyst at MCM Asia Pacific in Singapore. "Without this, it is almost impossible for the rupiah to recover."

(Bloomberg, AFP)

Investor's Asia			
Hong Kong	Singapore	Tokyo	
Hang Seng	Strait Times	Nikkei 225	
12000	1750	17600	
11000	1600	17000	
10000	1450	16400	
9000	1300	15800	
8000	1150	15200	
7000	1000	14600	
1998	1998	1998	
Exchange	Index	Index	Index
Hang Seng	Hang Seng	Hang Seng	Hang Seng
Singapore	Straits Times	Straits Times	Straits Times
Sydney	All Ordinaries	All Ordinaries	All Ordinaries
Tokyo	Nikkei 225	Nikkei 225	Nikkei 225
Kuala Lumpur	Composite	Composite	Composite
Bangkok	SET	SET	SET
Seoul	Composite	Composite	Composite
Taipei	Stock Market Index	Stock Market Index	Stock Market Index
Manila	PSE	PSE	PSE
Jakarta	Composite Index	Composite Index	Composite Index
Wellington	NZSE 40	NZSE 40	NZSE 40
Dubai	S&P 500	S&P 500	S&P 500
Source: Reuters			

## Mazda May Join Ford in Bid for Kia

Compiled by Our Staff From Dispatches

**TOKYO** — Mazda Motor Corp., Japan's fifth-largest automaker, said Friday it was considering joining its parent Ford Motor Co. in a bid for a controlling stake in South Korea's Kia Motors Corp.

"Mazda is studying the possibility of participating in the international bidding for Kia in collaboration with Ford," Mazda said.

Kia, South Korea's third-largest automaker, will be auctioned next week by Korea Development Bank — Kia's biggest creditor — along with its truck-making affiliate, Asia Motors Co. The sale will reshape the world's fifth-largest auto industry and test the country's ability to attract foreign investment.

Three other South Korean carmakers — Hyundai Motor Co., Daewoo Motor Co. and Samsung Motors Co. — have said they also would bid for Kia. But Kia has suggested

Ford would be the best buyer.

Lee Keun-Young, the governor of the Korea Development Bank, welcomed any qualified South Korean and foreign buyers, including Ford, which, along with Mazda, holds a 16.9-percent stake in Kia.

Both Ford and Mazda, in which Ford has a 33.4 percent stake, declined to comment on a Friday report in the daily Nihon Keizai Shimbun that they are thinking about asking Itochu Corp., one of Japan's biggest trading companies, to join them in a bid.

"We haven't been asked" to join the bidding, said Takehiko Kiguro, an Itochu spokesman. "If we do get a request to join in, we will consider it at that time."

The sale of Kia is central to South Korea's effort to find solutions for a series of insolvent companies that helped push the country into its first recession in 18 years.

More details on the public tender of Kia, which is now under court receivership, will be conveyed to potential bidders on Wednesday. The Korea Development Bank said it will take bids from July 27 until mid-August with an aim to complete the sale of Kia by the end of August.

For Ford, taking control of Kia would boost sales and output in Korea and ensure continued supply of Kia-made vehicles such as the subcompact Aspire sedan.

The U.S. automaker, however, is balking at increasing its stake because of Kia's debt. The automaker, which filed for bankruptcy in Korea, had 8.75 trillion won (\$6.6 billion) of debt at the end of March and 7.72 trillion won of assets.

To facilitate the sale, the Korea Development Bank has said it may cut Kia's share capital to write off debt and sell about 1 trillion won of new shares. (Bloomberg, AFP)

## Korea Unions Talk Tough on Job Security

Compiled by Our Staff From Dispatches

**SEOUL** — The two main South Korean labor union groups said Friday that they would stage a massive rally in Seoul on Sunday and withdraw from talks with the government and business unless they received guarantees on job security.

The Federation of Korean Trade Unions and the Korea Confederation of Trade Unions said they expected 200,000 members to attend the rally.

"The government-sponsored labor talks have become meaningless," the groups said in a joint statement.

The two groups, usually rivals, were forced to join hands after their key unions in the auto and banking industries faced mass layoffs under the government's plans to restructure the battered economy.

The groups plan to begin a strike on Tuesday at auto plants, 37 banks and 11 state-owned companies. The

state-owned companies are being put up for sale under the government's privatization program.

The 26,000-member Hyundai Motor Co. union said it would take part in the strike. Hyundai, the biggest automaker in the country, already has been hit hard by intermittent walkouts. Hyundai shed about 5,000 workers in June, and it is pushing to lay off 4,380 more this month.

(Bloomberg, AP)

Thailand Gets  
Added Loans

The Associated Press

**BANGKOK** — The World Bank has approved \$700 million in loans to Thailand — nearly half of it for easing the effects of the country's economic crisis on the poor — and plans to increase its lending to help the country cope with a credit crunch and deepening recession.

The newly approved loans, announced in Bangkok Friday after being approved at the bank's headquarters in Washington late Thursday, are part of the contribution the bank pledged toward a \$17.2 billion bailout fund organized by the International Monetary Fund.

In Washington, a bank official said the international lending organization intends to increase its aid to Thailand to \$2.1 billion from the originally planned \$1.5 billion.

Thailand's once-booming economy ground to a halt last year when the financial sector faced liquidity problems that exposed massive debts.

Unemployment is rising, with more than 2 million expected to be jobless in 1998, an increase of more than 60 percent from a year earlier.

Ailing financial institutions have generally failed to attract new capital needed to overcome the shortage of operating funds caused by large holdings of bad debt. So they are reluctant to roll over debt or make new loans.

## Very briefly:

• Hyundai Motor Co. of South Korea plans to begin a fourth early retirement program on Monday as part of the carmaker's push to cut its original 45,000-strong work force by a fifth.

• Nippon Telegraph & Telephone Corp. will post a special loss of 41 billion yen (\$293 million) in 1997-98 because of the planned liquidation of its personal handyphone system service subsidiary. The special loss would be offset by an expected 50 billion yen decline in corporate and other taxes on a parent basis in the year that started in April.

• Japan's eight major research organizations lowered their estimates for the country's economic growth to an average 0.2 percent in the year to March 1999, as consumer spending, corporate profits and wages continue to fall. The estimate was down from the 1.1 percent growth rate projected in December.

• Time Engineering Bhd. of Malaysia plans to apply for court protection on Monday from creditors, said an executive of the telecommunications company's parent company, Reo-ong Bhd. Trading in the stock was halted.

• Shinho Group, a South Korean paper company, was chosen by Korea First Bank as the first conglomerate to be restructured under a government program to bring major companies back to financial health.

• Toshiba Corp. of Japan plans to form an entertainment joint venture in Japan with Time Warner Inc. of the United States and Nippon Television Network Corp. Details of the venture will be released next week.

• Great Wall Electronic International Ltd. withdrew the quotation of the company's American Depositary Shares on the Nasdaq stock exchange on Thursday. The shares will only be listed on the Hong Kong Stock Exchange.

• Abrar Corp. of Malaysia defaulted on 4.4 million ringgit (\$1.04 million) in loans and interest payments.

• The Philippine Department of Labor assumed jurisdiction over a dispute involving ground personnel at troubled Philippine Airlines, effectively blocking their option to strike Monday. (AP, AFP, Bloomberg, Reuters)

## AMAZON: New Selling Script

Continued from Page 11

time," Mr. Bezos said. "If you can save people money and time, they'll like that."

No wonder the dwindling numbers of small booksellers feel threatened. At their convention in Chicago at the end of May, there was urgent talk and real fear about the peril presented by Amazon.

"Amazon has hit us harder than the superstores did," said Carla Cohen of Politics & Prose, an independent in Washington. "It can advertise and discount and lose money at the same time. In the real world, most of us would be out of business if we did that."

Because Amazon is virtual, it does not have many of the fixed costs for real estate and employees that conventional bookstores do. Another advantage is that it does not have to order most books from publishers or wholesalers until a customer actually wants them. A bookstore has to do things the opposite way: It orders a stack of books and hopes customers will want them. If they do not, the books get sent back to the publisher, an expensive process for everyone.

This is the sort of thing that makes some publishers, who have been printing 10 books to sell 5, wildly hopeful about the on-line world.

On-line booksellers are "the future of publishing," said Jason Epstein, the longtime Random House editor, who in the 1980s developed a project called the Reader's Catalog, which listed hundreds of thousands of books that could be centrally ordered. It was a forerunner of Amazon, but it floundered without the ease of computer searching and ordering.

"The present system is extremely inefficient, especially for the more specialized kind of book that can't easily be identified or categorized by the chain stores' computers," Mr. Epstein added. "It's increasingly difficult to publish those books, because it's hard to put them in the hands of their potential readers. As the Internet evolves, it will begin to solve that problem."

As a company, Amazon owns almost nothing — no buildings, no factories, few other assets in the traditional sense. Yet the stock keeps zooming. Some analysts think that the real way Amazon will justify its \$4.9 billion stock valuation is not by selling

books and music and videos but by selling its customers.

"The company can already recommend things in all sorts of ways. If a customer tells Amazon what authors he is interested in, it will e-mail him when it has new books. A returning customer will find a selection of recommendations especially for him based on his previous purchases."

"This gets trickier, however, if Amazon starts touting titles not just because it thinks a reader will like them, but because a publisher is paying it to do so."

"We've never once taken a group of customers and said, 'We know you love Tom Clancy, here's the new Tom Clancy,'" Mr. Bezos said. "But I want to try that. I think people would like it. And if it does turn out to be a huge value to publishers, then we should get compensated for it."

This is called "affinity marketing," and it offers endless possibilities that go far beyond books. If you were a travel agency marketing specialized tours of France, you might want to e-mail everyone who had bought a French cookbook in the past year.

The concept raises questions. Is Amazon going to be about reading or about merchandising? And where is the line between the two?

Mr. Bezos is noncommittal about affinity marketing. "We all want to experiment with it," he said. "The problem is priorities — our big priorities are expanding into new product areas, internationalization, continuing to build our brand name."

On-line competition will only increase. Bertelsmann AG, the publishing multinational that just swallowed Random House, has announced plans to start its own worldwide on-line bookstore. Barnes & Noble just upgraded its Web site, which now closely resembles Amazon's. Borders has just started its own Web site, though it has gotten poor reviews from the publishing industry.

Amazon can only hope that its head start will pay off. "When you talk to Amazon you realize it's a technology company, not a merchant," said Michael Lynton, chairman of Penguin Group. "That has a couple of serious ramifications. They play at a completely different level from any of the bricks-and-mortar retailers that are going on-line. They are creating a better technological mousetrap."

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19, Rue St. Michel

LIBRAIRIE de la Presse

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35, Ave. de Verdun

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Maison de la Presse

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Tourmay

NICE

Gunn's Book Shop

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Hall de la Presse

83, Ave. Jean Médecin

Kiosque Presse

Promenade des Anglais

Kiosque Presse

Jardin Albert 1<sup>er</sup></



The 1,000 most traded National Market securities  
in terms of dollar value, updated twice a year.  
*The Associated Press.*

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1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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**Friday's 4 P.M. Close**  
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## Yahoo! Intern

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# The Risks and Rewards of the Emerging-Markets Currency Game

## The New Rules For Trading in Asia's Gloom

By Philip Segal

IN THE SPACE of a year, Asia's currencies have gone from being among the most volatile investments on Earth. For years, most currencies in the region were pegged to the U.S. dollar. Now, with the Hong Kong dollar the only fixed, tradable Asian currency left, the rest often bounce around by huge margins in the space of a day.

With many down 40 percent or more from this time a year ago, Asian currencies are not for the faint-hearted. The Thai baht's 100-day volatility against the dollar is 30.6 percent, the Philippine peso's is 20 percent and that of the South Korean won is 28 percent. These are two to four times the volatilities of the major European currencies measured against the dollar.

Nor are Asian currencies for the traditional value investor who is used to buying low-priced stocks or stodgy government bonds. For anyone trying to gauge longer-term currency values in Asia, the task is almost hopeless.

"Timing is important," said Steven Chang, managing director of foreign exchange at State Street Bank in Hong Kong. "It's not just buy-and-hold. You have to be smart."

These days, Asia's currencies move according to the latest readings not of the dollar, as in the past, but according to news emanating from Japan.

"The yen dominates all other factors," said Frank Gong, senior economist, foreign exchange, at Bank of America in Hong Kong.

If the yen seems set to rebound, currencies strengthen, but there are plenty of doomsters who see the dollar rising above 200 yen, from the current 141, by the end of this year.

Is Japan's bridge-bank solution announced on July 2, the sum of all its promises "total plan" to fix its sick banking system? Given that the yen has weakened since the announcement, investors who have bought Asian currencies should hope not.

"It's as much a bridge for a plan as it is a bridge for a bank," said Pelham Smithers, strategist at ING Barings in Tokyo. "To say it's got holes in it misses the point. There are about two slats in place out of two million."

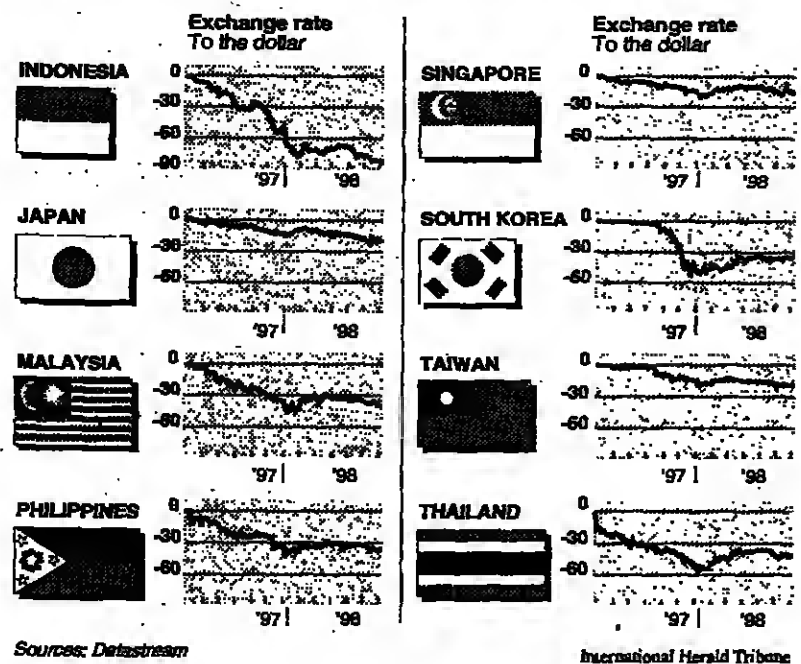
Santander Investment's strategist, Christopher Wood, called the plan "another warehouse solution," and criticized the idea that bad banks would stay in business for years to come.

Do not be surprised if many of the companies enjoying continued funding are politically influential construction companies," he warned.

ING's reading for the yen in the com-

### Asia's Money Meltdown

Percentage change in the value of Asian currencies vs. the U.S. dollar since July 1, 1997.



Sources: Datastream

International Herald Tribune

ing months is that it will bounce within a wide range. The dollar could get as high as 160 yen after central bank intervention, or as low as 120 as hedge funds continue to be tempted by borrowing yen at interest rates five percentage points below what they earn by converting the money into dollars and buying U.S. Treasury paper.

Others are even gloomier, from the point of view of anyone hoping for a stable, or stronger, yen. Martin Armstrong of Princeton Economics said the dollar would rise to 200 yen by year's end, because deregulation of Japan's financial sector will free \$3 trillion, or 40 percent of the world's savings, to go abroad. Not only might the yen fall as a result, but so could Japanese government bonds, the high-price paper responsible for some of the lowest interest rates anywhere.

"If the yen continues to be weak, there's little room for the ringgit or baht to recover," Mr. Gong said. If the yen stays weak, in his view the most vulnerable currency is the Singapore dollar, which he thinks is overvalued against other Southeast Asian currencies.

The major risk for Asian currencies, other than a weakening yen, is that countries in the region will decide that lower interest rates and the risk of accelerating inflation are preferable to the high rates that have choked off investment. The move to print money may inflate away a lot of domestic debt, but in the meantime currencies would surely weaken.

The Economist Intelligence Unit forecasts that almost all of Asia's currencies will be weaker against the dollar next year than they are now. So how to profit if things seem gloomy in the shorter term?

As volatile as the markets now are, in many cases they are far less liquid, as

imports plunge, trade financing evaporates and foreign investors flee to the safety of other stock markets. One of the most liquid is the Australian dollar, which moves along with feelings about the yen and is easy to sell short. Lower growth in Japan means lower commodity prices, and commodities are what drive Australia's economy. Australia's largest single market is Japan, most of Australia's big customers are in Asia, and commodities constitute nine of its top 10 exports.

At about 61 U.S. cents, the Australian dollar is stronger now than when it bottomed earlier this year at 58 cents and it also has plenty of upside for those optimists who think Asia has seen the worst of its troubles.

Jardine Fleming, Fidelity, Rothschild Asset Management and Lloyds International all offer Australia dollar money-market funds in Hong Kong. Australian dollar futures trade on the Chicago Mercantile Exchange, which on its Web site explains how derivatives work and walks users through a simulated futures trade.

One cautionary note: Do not believe analysts who say a currency is strong because it is not fully tradable. In May, Taiwan banned some trading in non-deliverable forward contracts (an agreement to buy and sell dollars at a prearranged price and date that is settled in local currency), but the Taiwan dollar has weakened anyway. The trade restrictions were blamed for sharp falls in the stock market as risk-averse foreign investors bailed out.

For further information:  
• CHICAGO MERCANTILE EXCHANGE Web site: www.cmex.com  
• JARDINE FLEMING, Telephone: 852 2 843 8777  
• FIDELITY, Telephone: 852 2 629 2629  
• ROTHSCHILD ASSET MANAGEMENT, Telephone: 852 2 553 5410  
• LLOYDS INTERNATIONAL, Telephone: 852 2 847 2993

## It's Time to Give Some Currencies A Second Look

By Aline Sullivan

MIDSUMMER madness appears to have descended on investors in emerging-market currencies: Everyone agrees that some of them are vastly undervalued, but few are willing to buy. Instead, they are holding dollars and waiting for the storm to pass.

There is no reason for the Mexican peso, the Korean won and some Central European currencies to be as cheap as they are, according to analysts in New York and London. Even the eight-week run on the South African rand, prompted by the country's political and fiscal problems, has gone too far, they said.

"Most of the emerging-market currencies are now undervalued," said Avinash Persaud, global currency strategist at J.P. Morgan & Co. in London. "They may become even more so: Investors still have a very low appetite for risk. But sentiment appears to be changing. It is worth keeping a close eye on the markets that have been most oversold."

J.P. Morgan's Global Risk Appetite Index, which measures investor perception of risk in 26 emerging markets on a scale of minus 1 to 1, is heading in a positive direction for the first time in three months. At negative 0.3, it still has some way to go, but it has come a long way from its recent low of negative 0.8.

"There is a very good case now for many currencies," said Desmond Lachman, head of global emerging-markets at Salomon Smith Barney in New York. "Many of them have been tremendously oversold."

Mexico and South Africa, for example, are trading near all-time lows against the dollar. Three related contagions have infected much of the emerging world: Japan's currency and debt crisis, Russia's currency and debt crisis, and sinking commodity prices. Almost all emerging-market currencies have been laid low by at least one of these factors.

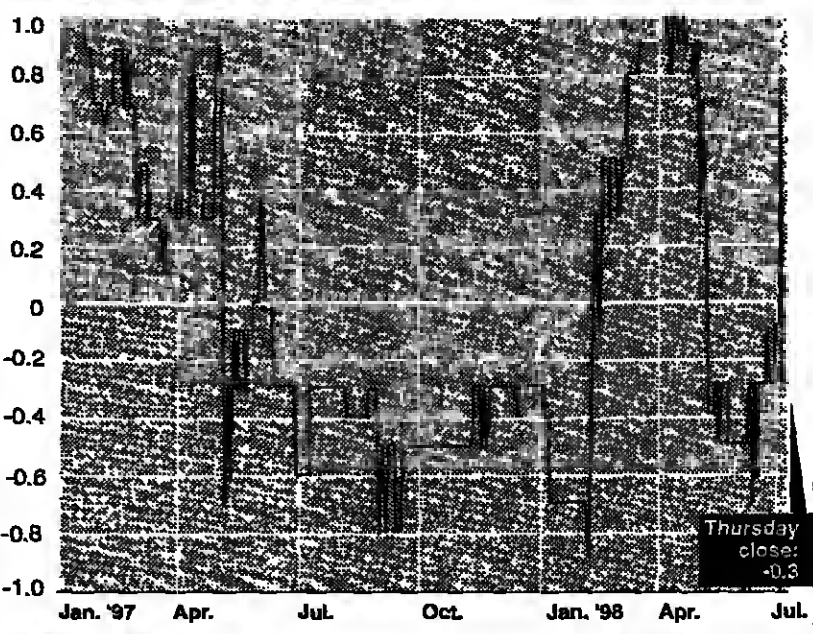
Obviously, countries such as Venezuela, which is almost entirely reliant on oil, are shunned by investors when commodity prices are low. No one is suggesting buying the Venezuelan peso any time soon. Why Chile and Mexico, which have more to offer than the commodities they sell to Asia, have been targeted by speculators is less clear. That the economically sound Central European currencies are tainted simply by their proximity to Russia seems ridiculous to some analysts.

Nevertheless, the Polish zloty, the Czech koruna and the Hungarian forint have wobbled in recent days on mounting investor concerns that Russia may be forced to devalue the ruble.

### Overly Shy of Risk?

J.P. Morgan's Global Risk Appetite Index. With a reading of +1, markets are risk-inclined, exhibiting a preference for high-yielding but volatile currencies. An index reading of -1 shows markets are risk-averse.

After their confidence rose earlier this year, global investors fled risky currencies in the spring.



Sources: J.P. Morgan

International Herald Tribune

David Lubin, emerging-market economist at HSBC James Capel, said he did not see a good reason for the Central European currencies to deteriorate. But that does not mean that they will not.

"They rely very little on Russia as an export market—only 7 percent of their exports go to Russia," Mr. Lubin said. "But if holders of ruble assets find themselves with large losses, they may want to liquidate their other holdings in the region."

On the other side of Russia, the Asian contagion continues to spread. The year's weakness against the dollar has undermined the region's currencies and eroded demand for oil and gold. It has also prompted fears China may devalue its yuan, forcing the region into a new round of devaluations to maintain exports.

In South Africa, where a home-grown fiscal and political crisis has been exacerbated by the woes of other emerging markets and falling commodities prices, the end may be in sight. The rand started to strengthen this week after the dollar rose to a record 6.80. Traders said that concern over the appointment of Labor Minister Tiro Mboweni as future head of the central bank had eased.

Individual investors who want to invest in currencies would do best to use money-market mutual funds designed for this purpose. Although it might be tempting to run out to your bank or bureau de change, this could be an unfulfilling experience. "If somebody wanted to go out and physically buy notes, the spreads are enormous," said Jonathan Bloch, of Direct FX, a bureau de change company in London. "It's roughly 8 percent, depending on availability, and it could be up to 20 percent."

Futures, where available, are another possibility, although typically they require tens of thousands of dollars of capital and subject investors to the risk of margin calls. The Chicago Mercantile Exchange, for example, lists futures on the Mexican peso, the rand and the Brazilian real.

Trading through foreign-exchange dealers is also possible, but spreads on emerging-market currencies are also likely to be too high for most individual investors except for exchange-listed futures and spot contracts.

### For further information:

- BRADNET, Information for traders of emerging market debt, with data on currencies. Web site: www.bradnet.com
- CHICAGO MERCANTILE EXCHANGE, Telephone: 1 312 930 1800, Web site: www.cmex.com
- CHICAGO BOARD OF TRADE, Telephone: 1 312 435 7500, Web site: www.cbtc.com
- WEBINVESTOR, A site with international links, currencies page: www.thefinancial.com/forex.html
- Many fund-management companies offer money-market funds denominated in several currencies, though emerging-market currencies are not always accessible. Here is a list, compiled by Lipper Analytical Services, of large providers of money funds that each offer four or more currency choices.
- UNION BANK OF SWITZERLAND (11 currencies), Telephone: 202 4512 12400
- CREDIT SUISSE ASSET MANAGEMENT (11 currencies), Telephone: 352 436 1111
- ALFA-ADRI INVESTMENT (4 currencies), Telephone: 352 25111
- GENERALE DE BANQUE (4 currencies), Telephone: 722 204 3903
- SWISSCA FONDSTUTTING (11 currencies), Telephone: 352 4015 3210
- CREDIT LYONNAIS (6 currencies), Telephone: 352 476 8711
- ROTHSCHILD ASSET MANAGEMENT (21 currencies), Telephone: 44 1461 719 700
- BSP INVESTMENT MANAGEMENT (10 currencies), Telephone: 33 1 40 44 45 46
- PARIBAS (7 currencies), Telephone: 33 1 42 06 12 34
- JULIUS BAER INVESTMENT FUNDS SERVICES (6 currencies), 41 281 5760

# Amid the Tumult, Smooth Sailing for an Offshore Money Fund With an Exotic Mix

By Conrad de Aenlle

AMONG THE FEW eager buyers of currencies from developing countries are shareholders in the Guinness Flight Hambro Emerging Currency Fund. The offshore fund, started in December during the worst — so far — of the Asian economic and currency crisis, invests in short-term cash deposits denominated in the currencies of about two dozen emerging economies.

Many investors would consider it too risky to own securities issued in Mexican pesos, let alone Philippine pesos or Lebanese pounds. But John Stopford, the fund's manager, said the portfolio's diversification keeps volatility low, while the perception that emerging cur-

rencies are treacherous allows the fund to generate much higher returns than conventional money-market funds.

Because of downward spirals in South-east Asian currencies and the possibility others will follow suit, buyers of paper priced in emerging currencies demand high interest rates. The fear of further devaluations is so great, Mr. Stopford said, that the real return — the interest rate, less the rate of inflation — is typically much higher than that available in instruments denominated in more docile currencies.

"The idea is you get paid a risk premium to own emerging-market currencies because the market rightly perceives that they're risky," Mr. Stopford said. "In some ways, the Asian crisis can be good news because the risk premium rises."

Volatility is kept low, he said, because movements of emerging currencies

in different regions are not highly correlated, so the diverse mix in the portfolio makes for smooth returns.

"Although individual currencies can have crises, they don't tend to occur at the same time," Mr. Stopford said. "Among a universe of 30 to 40 currencies, many have made decent returns and haven't been materially impacted by the Asia crisis."

Even some Asian currencies have had "positive total returns" this year, he said. The formula is working so far. From its debut on Dec. 30 through June 30, the fund had a total return of 3.85 percent measured in dollars, according to Lipper Analytical Services, which tracks fund performance. It placed eighth among 62 offshore short-term bond funds, which is how Lipper categorizes it. The average fund in the group was up 2.6 percent in the period, compared with 0.6 percent for the

average money-market fund.

Bill Blevins, a financial adviser at Blackstone Franks in London, said such a fund would be a useful addition to a broad portfolio, but warned that "a private investor must understand that however much you defend against it, there is bound to be increased volatility, compared with a fund taking positions in dollars or sterling."

"The volatility in a basket of currencies is probably quite reasonable," he added, "but it won't have anything like the volatility of a conventional fund. I think there's a place for it in the market, but to suggest that this is a fund for all seasons and all people is nonsense."

If Emerging Currency is to continue to outpace other money-market funds, it will have to overcome expenses that are steep for such funds, including a 1 percent annual management fee. In addition, there is

an initial sales charge of 5 percent, unheard of in money-market funds, which rarely have any load, let alone one that steep.

Philip Saunders, a director of Guinness Flight Hambro, acknowledged the up-front charge was high but said that the fund was unlike other money funds because of the wider investment choices the manager must make. But he added that there are discounts for investors who buy directly from the fund and not through a financial adviser, and no charge at all for investors who buy through the International division of Charles Schwab Corp., the American discount stockbroker.

Mr. Stopford's portfolio is overweight in Europe, loosely defined, with Hungary and Turkey each accounting for 9 percent. There also are big positions in Poland and Greece. The latter has been especially profitable, as the currency has

risen against the dollar since the investment was made and Greek paper is returning about 12 percent.

Another favored region is the Middle East, which has "high reserves and well-managed foreign-exchange rates," the manager said. In particular, Lebanon is benefiting from peace and a repatriation of capital by returning citizens.

The fund's exposure to Asia has been cut from about 15 percent to no more than 9 percent, concentrated in China, the Philippines, South Korea and Thailand.

The initial rally in Asia is petering out and some of the problems are coming home to roost," Mr. Stopford said. The timing of the fund's introduction during the Asia crisis was coincidental, he added.

GUINNESS FLIGHT HAMBRO EMERGING CURRENCY FUND is domiciled in Guernsey, in the Channel Islands. It has a minimum investment of \$25,000. For further information, call 44 171 522 2111 or visit the Web site at www.guinness-flight.com

# Yahoo! Internet Companies Are Worth More Than Anything Else — Maybe

INTERNET STOCKS went bonkers this week, some of them bouncing up and down as much as 26 percent in a single day. When the dust cleared, the market had judged that Amazon.com Inc., the on-line bookseller, was worth roughly as much as the nation's two largest book retailers, Barnes & Noble Inc. and Borders Group Inc., combined, and Yahoo! Inc., the popular search engine (or Web directory), was worth more than The New York Times Co.

How much are these Internet companies really worth? No one knows, because in their short life spans they have generated little or no earnings.

Share prices are built on earnings, since the theory behind owning stocks is that they produce a flow of cash that goes to shareholders, either immediately as dividends or eventually as capital appreciation as profits are reinvested to the company. Without profits, it's hard to set a price.

At this year's annual meeting of Berkshire Hathaway Inc., the chairman, Warren Buffett, America's most successful investor, was asked about

teaching business students. "For the final exam," he said, "I would take an Internet company and say, 'How much is this worth?' And anybody that gave me an answer, I would flunk."

Lycos Inc., which started the firm last week by jumping from \$79.06 to \$99.56, has never made a profit. Last year, the company, which operates the Internet's fourth-most popular search engine, lost \$9 million on total sales of \$22 million. The apparent reason for its miraculous rise was that it announced a split in its stock — an accounting and marketing maneuver that adds not a cent of value to a firm. (Lycos, like other Internet stocks, also benefited from the decision of General Electric Co. to invest in CNET Inc., a company that provides television images for Internet.)

But investors quickly had second thoughts about Lycos and knocked the stock down to \$69.25 on Friday morning, but it was still up more than 67 percent for the year. As recently as Aug. 2, 1996, you could have bought a share of Lycos for \$6.13.

Meanwhile, Excite Inc., the No. 2

Web directory, rose 10 percent on Monday, also on word of a split. Amazon.com was up 13 percent the same day, while Doubleclick Inc., which distributes Internet advertising, soared an incredible 72 percent in the week that ended July 2.

By Friday, Doubleclick, which lost \$9 million on sales of \$30 million in 1997 but still carries a market cap-

### JAMES GLASSMAN ON INVESTING

italization (or value, according to its stock price) of \$845 million, had plummeted from \$75.31 to \$51.50.

Internet stocks turned up again after an announcement after trading hours on Wednesday that Yahoo! (the exclamation point is part of its name, but I'll drop it for the rest of this column) had actually made a profit of \$8 million for the second quarter — as long as you don't count a one-time charge of \$44 million related to an acquisition. Yahoo, too, said it would split. Shares immediately soared \$16, to \$202, slipping to

is \$180 range on Friday morning.

Profits are certainly nice to have, but let's put Yahoo's into perspective. For the year, analysts, on average, expect the company to earn about \$23 million, according to Nelson Information Inc. That sounds good compared with profitless Lycos or Amazon. But if that estimate becomes reality, then the price-to-earnings (P/E) ratio for Yahoo

is 364, compared with a P/E of 28 for the Standard & Poor's 500-Stock Index.

Let's compare Yahoo, whose market cap exceeded \$9 billion at one point during the week, to some more venerable media companies. The New York Times Co., for example, has a market cap of \$7.6 billion, yet it owns the third-highest circulation daily in the country, plus the Boston Globe, magazines like Golf Digest, eight television stations, two radio stations, an extensive on-line service and more, including half of the International Herald Tribune.

Sales last year were \$2.9 billion, and after-tax earnings were \$262 million — or more than 10 times the projected (though far-from-realized) earnings of Yahoo.

The market cap of Dow Jones & Co., parent of The Wall Street Journal, is only \$4.4 billion. The Washington Post Co., which also owns Newsweek, six TV stations, the other half of the International Herald Tribune and a good deal more, had profit last year of \$281 million but a market cap of only \$4.9 billion. Would you trade Yahoo for Dow Jones plus The Post? Well, that is the way the market is valuing the three companies.

As for Amazon, its market cap on July 9 was \$5.6 billion. The market cap of Barnes & Noble, the largest bookseller, was \$3.0 billion, and the market cap of Borders, the most profitable bookseller, was also \$3.0 billion. So, for approximately the same price, you could buy all of Amazon or all of Barnes & Noble plus Borders.

Total sales last year for Amazon were \$148 million, with a loss of \$28 million. Combined sales for the two other companies were \$4.1 billion, with

after-tax profits of \$145 million. By the way, if you purchase Amazon, you get zero stores. Buy Barnes & Noble and Borders, and you get 2,147 stores.

The Internet has a fabulous future and Amazon is a truly magnificent company, whose sales will grow far faster than those of conventional retailers. But is one Amazon really the equivalent of virtually all the major U.S. book retailers combined?

The question is not whether Amazon has a great idea or if it will sell lots of books, but whether it can become profitable enough in a few years to justify an investment today. By any reasonable standard, it is overpriced. Or is it?

In the end, I would concede that the current Internet darlings could be decent buys, but I would not be enthusiastic about owning them.

The lesson is not to rush. If history is a guide, you will still have time to assess the scene and decide who is likely to win and lose as the Internet revolution, which is definitely for real, transforms the world's economy.

Washington Post Service



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## THE MONEY REPORT

Q &amp; A / Mark Howdle, Salomon Smith Barney

## Redefining 'Domestic' In the New Euroland

An Equity Strategist's Post-EMU Scenarios

**M**ARK HOWDLE is European equity strategist at Salomon Smith Barney in London. He spoke with *Conrad de Aenle* about the investment landscape in the region after Economic and Monetary Union is introduced in January.

**Q.** The prelude to EMU has clearly been good for owners of European stocks and bonds, as interest rates have fallen and currencies have declined against the dollar, boosting corporate earnings. Will the euro's introduction in January be a non-event for investors, or perhaps even an excuse to sell?

**A.** The market isn't expecting any sudden transformation for corporations. The most important change is that the "domestic" equity and bond markets will no longer consist of one country, but 11. So this will inevitably lead to some large-scale portfolio restructuring by euro-zone investors. For them, this is a big event, and its effects can only get underway properly once the definition of a domestic asset changes in January.

**Q.** Money managers are expected to treat the euro zone as a single investment region, with stock-picking taking precedence over country allocation. Does that mean more money will flow into shares of regional standouts?

**A.** I expect to see a significant large-cap bias over the next six to 12 months. As many European domestic equity funds shift their portfolio away from a national benchmark to a euro-zone equivalent, they will no longer need to own the smaller CAC or DAX stocks, but new buyers from 10 other countries will be bidding for the larger CAC or DAX stocks that make the cut into a concentrated euro-index.

In the first phase of diversification, it may not be the best companies that attract the buyers, just the biggest and most liquid. The second phase will be when funds are sufficiently motivated to switch out of expensive-looking index stocks into second-liners, which are clearly cheaper on fundamentals.

**Q.** Will the euro be a weak or a strong currency?

**A.** For the first year or two, it will probably rise against the U.S. dollar,

partly for cyclical reasons and partly because of some structural diversification away from predominantly dollar currency reserves and dollar assets.

**Q.** So you agree with EMU proponents who argue that the euro will rival the dollar as the world's reserve currency, compelling investors to increase their exposure to European assets?

**A.** That's putting the case too strongly. But central banks with big foreign reserves like Japan, China and Singapore probably will choose to diversify away from a predominantly dollar base to hold more euros, providing that the European Central Bank sends the right signals from the outset. That will support the cyclical tendency for the euro to strengthen and could lead to a virtuous circle in European bond markets.

**Q.** Would you rather own European bonds or stocks?

**A.** Stocks should be the better asset class. We project a total return of 15 percent or so over the next 12 months for European stocks, compared with a return of less than 5 percent on long-dated government bonds or cash. Some equity markets should do even better. These include Italy, Spain, Portugal, Sweden and the Netherlands.

**Q.** Those are mostly the peripheral countries, where markets have already had much bigger runs than those in core Europe. Why do you expect them to push further ahead?

**A.** Some of the peripheral countries had a great run-up between November and March. Italy, Spain and Portugal all gained 60 percent or more in that period. Since then, they have consolidated most of their gains and I believe they still have ammunition for another leg up later in the year in the form of further cuts in short rates, boosting growth prospects and driving more retail savings from cash deposits into equities.

**Q.** Investors outside Europe showed little interest in EMU until recently. Do you expect their net investment in the region to accelerate?

**A.** There are signs that flows into Europe from the U.S. have begun to pick up again in 1998.



Mark Howdle: Upbeat on Europe.

For the last three years, the U.S. investor had a strong local market and an appreciating dollar, so little incentive to move funds abroad. Investors seem less convinced about the U.S. market today and are certainly showing a great deal of interest in Europe's comparative prospects over the next couple of years. We see this happening both at the institutional level, with U.S. pension funds and insurance companies, and also in the retail market, as U.S. private investors are showing an appetite for Europe's positive story.

**Q.** Which sectors stand to be the biggest winners and losers?

**A.** The biggest EMU beneficiaries could turn out to be the financials, especially those with significant asset-management and investment-banking activities. The one sure thing about EMU is that it will trigger enormous growth in Europe's capital markets and channel Europe's savings into new investment products. So the incremental revenues here will be significant.

Losers in the first few years could be the traded-goods sectors, the exporters and overseas earners who will be hurt by a strengthening trend in the euro. Also some consumer sectors, facing additional margin pressure from the combination of pricing transparency in the euro zone, and Internet technology helping to provide Europe's consumers with a means to shop around for the best price. So EMU will probably be disinflationary and put some additional pressure on margins all through the distribution chain, from producer to retailer.

## Euro Options: Diversity Born of Unity

With Single Currency, a Wide Range of High-Yield Issues Is Expected

By Barbara Wall

**T**HE ADVENT of a single currency next year is unlikely to change the prosperity of Euroland investors overnight, but it will create investment opportunities and expand the range of European bond and equity products, according to European fixed-income fund managers and strategists.

"The opportunities of enhancing yield by trading across currencies and between countries within the euro zone will largely disappear from next year," said Jeremy Smooha, a fixed-income portfolio manager with Global Asset Management Ltd. in London, "and attention will be drawn to enhancing yields by looking out along the credit spectrum. I expect an increasing supply of corporate bonds to fill this demand."

"The corporate bond market in Europe is very small as a percentage of outstanding issues, compared with the United States," he added. "The other side of this same coin is that corporations will be able to tap a much enlarged domestic market."

The strong issuance of euro paper that has taken place since the start of 1998 suggests that the Euroland market has arrived. Though the new market has mainly been tapped by top-rated borrowers, such as national governments and international organizations, the volume of lower- and non-rated issuers is expected to grow.

"So far this year, the total volume of high-yield European transactions has been in the region of \$3.75 billion, compared to \$1.9 billion during the whole of 1997," said Jack Szarnota, a spokesman for Paribas Capital Markets in London. "Next year, I expect to see a lot of issuance from media and telecommunication companies, which have large capital expenditure requirements, and companies with restructuring stories."

Mr. Smooha said the Euroland market would move toward developing the depth and diversity of choice that currently exists in the United States.

"As well as more high-quality corporate bonds and junk bonds, this will include asset-backed securities such as collateralized mortgage securities," he said.

Asset-backed issues have been standard in America since the mid-1980s. These are bond-like securities created from pools of financial assets, such as bank loans or credit-card receivables. Collateralized mortgage obligations take the idea one step further: Not only are home loans with similar characteristics combined, but investors can choose among several classes of participation in the pool. Some might get all the payments made in the first few years of the loans, others

could opt for the last payments, typically getting higher interest rates but facing increased default and prepayment risks.

"There is already a mortgage-bond market in Germany, and several other countries in Europe, including Italy and Spain, are in the process of developing a market for mortgage-backed bonds," Mr. Smooha said.

Paola Lamedica, a London-based European bond strategist for Paribas Capital Markets said, "Investors can expect to see more sophisticated sovereign issues as sovereign borrowers are

pean bond funds at the end of the year.

Some European fund-management groups have started high-yield funds. They include the German fund DWS GmbH, the mutual fund arm of Deutsche Bank AG, and the Austrian group Security KAG. So far, there are no Europe-only high-yield funds; most invest in a combination of U.S. and European corporate issues.

Rendite Extra Europa, a Luxembourg-domiciled fund started by DWS, aims to be a dedicated euro-trash fund, but it has some exposure to East European bonds and the U.S. junk-bond market. Peter Walburg, head of credit research at DWS, said the fund's risk profile was probably comparable to that of an international equity fund.

A number of U.S. fund managers are also designing high-yield products to meet the challenges and opportunities presented by monetary union. Fidelity Investment Funds and Massachusetts Financial Services Co. are reportedly preparing high-yield bond funds.

Some fund managers have adapted their existing bond portfolios as a prelude to European high-yield funds. Paul Brain, a spokesman for Guinness Flight Asset Management Ltd. in London, said that in June the investment mandates of the firm's two European high-income funds had been changed to allow investment of up to 70 percent in non-government securities. A non-government bond product is planned for later this year, he said.

Given the relentless rise of continental European equities and the emergence of Euroland equity indexes, Ms. Lamedica expects to see more bond products with an equity element attached. Britain, which is not in the single-currency club, has a market for index-linked products, which have been largely ignored on the Continent.

Many index-linked bond products tied to the Dow Jones Stoxx 50, a blue-chip index covering all of Europe, and the Euro Stoxx 50, which includes only companies from the euro zone, have started in recent months. Merita Bank in Finland introduced a capital-protected, index-linked bond in March for Finnish retail investors. Investors in this zero-coupon instrument get their yield from moves in the index. Bank Julius Baer in Zurich has a similar product linked to the Dow Jones Stoxx 50.

The growing complexity of Euroland markets may actually discourage individuals from the outright purchase of bonds and stocks. A spokesman for Merita Bank said institutions would seek products that give investors ease of access to the new opportunities.

For further information, call:

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forced to compete harder for funds in the enlarged domestic market."

"France has been the front-runner in introducing innovative products," she added. "It was among the first countries in the theoretical euro zone to launch a stripped government bond market, and it has recently introduced inflation-linked bonds. The latter product gives investors who fear a rise in inflation the ability to protect their portfolio."

Once currency constraints have been removed, there will be no obvious barriers to stop a Dutch investor from buying a French sovereign bond product, and vice versa. But access to other products, such as high-yield corporate paper, will be limited by several factors.

"Currently, there is insufficient corporate credit in the European market to satisfy all investors," said a spokesman for global financial services provider J.P. Morgan & Co. in London. "Private investors are further constrained by high minimum investment thresholds, settlement problems and the absence of a fully fledged pan-European brokerage distribution network. For most private investors, specialist funds will be the only route into the burgeoning euro-denominated corporate credit and asset-backed securitization market."

Arum Flores, a London-based European bond strategist for Lehman Brothers, expects to see a rash of new high-yield Euro-

## BRIEF CASE

## For Some, Benefits Of the Oil Slump

If you hear a dull thud, it may be the price of a barrel of oil hitting a bottom. Michael Hoover, a portfolio manager at U.S. Trust Co., predicted that the price of crude would rise for the remainder of 1998, recovering from 12-year lows hit last month. In the past year, a barrel of crude traded on the New York Mercantile Exchange, has lost about 30 percent of its value, trading Friday at \$13.93.

The oil slump, Mr. Hoover said, has made stock in some of the dividend-paying integrated oil companies attractive investments.

He cited British Petroleum PLC, Exxon Corp., Mobil Corp. and Royal Dutch Petroleum Co. Besides above-average yields, he likes the ability of these energy behemoths to pursue major drilling projects and buy up weakened producers and refiners.

Money Report readers may recall that Salomon Smith Barney recommended BP as its top global pick in the June 27 issue of the *Money Report*, when it traded at 878.5 pence (\$14.31) in London. On Friday, it was down to 862.5 pence.

For aggressive investors, Mr. Hoover suggested two drilling companies: Ocean Energy Inc. and R&B Falcon Corp., formed early this year by the merger of Reading & Bates Corp. and Falcon Drilling Co.

Ocean, he said, offers the best inventory of "high-potential drill sites" of any exploration company, while Falcon is positioned to increase its leading market share.

## Norway Recovery? Don't Bet on It

Weak oil prices have also had their effect on Norway, a major exporter, so contrarian investors might want to bet on a recovery by the Oslo bourse, where the Total Index is up just 4 percent this year when measured in kroner, and down 1 percent in dollar terms. That makes it the worst-performing European market so far in 1998.

I.D.E.A., the global economic analysis firm, said, however, that it was not time for bargain hunting in Norway. For one thing, the country has opted not to join the European Union, so it will not directly benefit from the coming monetary union,

which is giving a lift to shares in most of the 11 initial members.

Secondly, the country's three main industries suffer from weak prices. Besides petroleum, Norway is a major aluminum producer and shipbuilder. The pressure on global economic growth brought by the Asian financial crisis and by an expected slowdown in the American expansion are stifling equity prices in these industries.

Finally, the krona has been weak this year and wage demands have been growing, putting upward pressure on inflation. The central bank, whose sole brief is to keep the krona stable, has responded with a series of interest-rate increases, which is good for the currency but bad for the stock market.

Norway's unusual economic situation, with wage-driven inflation at a time when its major export industries are suffering pricing pressures, reflects the effects of its petroleum wealth. The country went on a spending binge in the 1970s, when it became an energy exporter, but when oil prices fell in the 1980s, economic growth slowed, and it took until 1993 for it to recover.

Now, the government is hesitant to curb outlays, and so consumer spending is rising while unemployment

remains low even though export earnings are weak. The central bank expects retail inflation to be 2.5 percent this year and 3.0 percent in 1999. (IHT)

## A Condo Boycott In Vancouver?

The head of a public inquiry into the leaky condominium crisis in Vancouver, British Columbia, has recommended that nobody buy a new condominium in the Pacific Coast city. Not only have thousands of condominium apartments built and sold over the last decade been found to be unsuitable for the rainy coastal climate, but new condos with the same problems are still coming on the market, according to Dave Barrett, the Canadian province's former premier.

A report by Mr. Barrett estimated the cost of repairing the condominiums, many of which were bought by Hong Kong and Taiwan investors, at 650 million Canadian dollars (\$442 million). At the inquiry, held earlier this year, condominium owners complained of rotting building structures, walls and carpets. Owners who have tried to sue for repairs have had little success because many of the builders and developers dis-

solved their companies after each project and began anew under different names.

The report recommended that homeowners needing financial assistance be eligible for repair loans from a special 250 million dollar fund to be established by the federal and provincial governments. Other recommendations include implementing and enforcing tough building codes, hiring inspectors to keep unskilled workers off of building sites and requiring builders to post performance bonds to ensure the quality of construction.

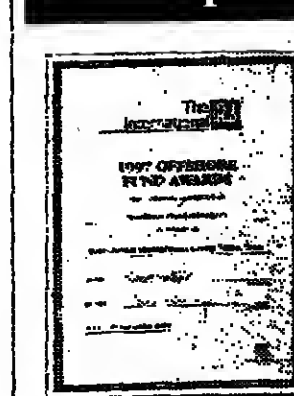
The report must be debated by the British Columbia legislature before its recommendations can be put into effect. (IHT)

## The Money Report On the Internet

The Money Report pages on the International Herald Tribune's Web site were recently updated and are available at [www.ihf.com/IHT/MONEY](http://www.ihf.com/IHT/MONEY) (the address is case sensitive).

Readers with questions and comments about The Money Report are invited to send them by e-mail to [moneyrep@iht.com](mailto:moneyrep@iht.com).

## North Star The Top Fund Manager\*



\*North Star was ranked No.1 Off-shore Fund Manager of 1997 for 3 years performance by the two FT publications. The International and Resident Abroad out of 104 International Fund Managers. North Star was also voted No.1 for 1995 and No.2 for 1996 by the same publications.

Further information: Websites with North Star prices/performance: [www.ft.com](http://www.ft.com) [www.clipperweb.com](http://www.clipperweb.com) [www.fundprospect.com](http://www.fundprospect.com) [www.ihf.com](http://www.ihf.com)

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## WORLD CUP BRIEFS

### Finalists Dominate All-Star Selection

Eight players who will appear in the World Cup final, including Brazil's Ronaldo and France's Marcel Desailly, made the FIFA All-Star Team for France 98.

The 16-man team, chosen by the FIFA Technical Study Group and sponsored by MasterCard, also has three players from the Netherlands, two from Paraguay and Denmark and one from Croatia.

Joining Ronaldo from Brazil are defender Roberto Carlos and midfielders Rivaldo and Dunga. The other French players are goalkeeper Fabrice Barthez, defender Lilian Thuram and midfielder Zinedine Zidane.

The Dutch players are striker Dennis Bergkamp, midfielder Edgar Davids and defender Frank de Boer. Paraguay's goalkeeper Jose Luis Chilavert and defender Carlos Gamarra were chosen, along with the Danish brothers Michael Laudrup, a midfielder, and Brian Laudrup, a striker, and the Croatian striker Davor Suker.

Six players were chosen as reserves: goalkeeper Edwin van der Sar of the Netherlands; midfielders Jay Jay Okocha of Nigeria and Juan Veron of Argentina; and strikers Christian Vieri of Italy, Michael Owen of England and Thierry Henry of France. (AP)

### Heinrich Moves to Italy

Joerg Heinrich, the German wing back, joined Fiorentina of Florence on Friday after Borussia Dortmund accepted an offer of \$13.7 million. (Reuters)

### Hong Kong Player Jailed

A Hong Kong court Friday jailed Chan Tsz-kong for 12 months for taking a bribe to lose a World Cup qualification match against Thailand, government radio said.

Chan, a striker with the Sing Tao club, admitted conspiring with others to take a \$25,800 bribe from a bookmaker in return for ensuring that Hong Kong lost the match to March 1997. (Reuters)

### Benfica Check Bounces

A \$2 million (\$3.2 million) check issued by Benfica of Lisbon to Manchester United of the English Premier League to pay for Karel Poborsky, a Czech international, has bounced, Ken Ramsden, a Manchester United spokesman said Friday.

Benfica ran into financial trouble when its plans to float on the Portuguese stock market ran aground. (Reuters)

## Scores and Schedule

QUARTERFINALS	
JULY 8, IN MANTOVA	
Brazil 3, Denmark 2	
Brazil 1, Rivaldo 26, 60	
Denmark — Jorgensen 2, Laudrup 50	
JULY 9, IN ST. DENIS	
France won 4-3 on penalty shoot-out.	
JULY 10, IN MARSEILLE	
Netherlands 2, Argentina 1	
Netherlands — Kluyvert 12, Bergkamp 90	
Argentina — Lopez 18	
JULY 11, IN LYON	
Croatia 3, Germany 0	
Croatia — Juranic 45, Vucinic 80, Suter 85	
SEMIFINALS	
JULY 12, IN MARSEILLE	
Brazil 1, Netherlands 1	
Brazil won 4-2 on penalty shoot-out.	
JULY 13, IN ST. DENIS	
France 2, Croatia 1	
France — Lilian Thuram 47, 70	
Croatia — Davor Suker 46	
THIRD PLACE	
JULY 11, IN PARIS	
Netherlands 16, Croatia 9	
FINAL	
JULY 12, IN ST. DENIS	
France vs Brazil	

When matches are drawn after 90 minutes, teams start to play two 15-minute periods of extra time. Play now stops immediately when one team scores in extra time — a "golden goal" for the winner, sudden death for the loser. If no goal is scored in the 30 minutes, the match is decided by a penalty shoot-out.



Brazilian players holding their hands as fans unfurled a national flag during a team training session Friday.

## CUP: Brazil and France to Square Off in the Century's Last Final

Continued from Page 1

This is the fourth consecutive final in which a European team will face a South American team. Until now, the team playing closest to home has always prevailed, but Brazil's coach, Mario Zagallo, has had little trouble laughing in the face of precedent this week.

"The French will have 80,000 fans in their stadium, but you must remember that in the head of every Brazilian player, there will be 160 million Brazilian fans behind us," Zagallo said. "We have won all of our World Cups outside the country. I respect very much the French team, but I am not afraid of it."

"We are too used to big finals and big matches to approach them with apprehension. If any players should have goose bumps before the kickoff, it should be the French, not the Brazilians."

It will be the first time a host nation and the defending champion face each other in a World Cup final, and it bears remembering that one of the main reasons France is staging this event at all is because the former FIFA president Joao Havelange, a Brazilian, put his weight behind the bid. On Sunday, Havelange and President Jacques Chirac will both have a rooting interest, and it will not be the first time their nations meet with much at stake.

In 1958 in Stockholm, the Brazilians defeated the French, 5-2, in the semifinals. Pele, then 17, scored three of the Brazilian goals, but the match might have been less lopsided if the French captain, Robert Jonquet, had not injured his knee in the 35th minute. If that had happened today, the French coach would simply have inserted a healthy replacement, but this was in the stiff-lipped era

before substitutions were authorized. Jonquet limped and soldiered on.

But the French gained a measure of revenge in the 1986 quarterfinals in Guadalajara, Mexico. After 90 minutes of regulation and 30 minutes of overtime, the score was tied, 1-1, but the French would prevail on penalty kicks, 4-3, after Julio Cesar missed and Luis Fernandez did not.

The team that defeated Brazil was widely considered the finest in French history. Its strength was its midfield: Fernandez, Jean Tigana, Alain Giresse and Michel Platini, but for all their flair and experience, the French would prove unable to solve the riddle posed by the West German side in the next round.

Twelve years later, French soccer has a new high-water mark, and Jacques's team has reached this level for some of the very same reasons that Brazil ended a 24-year drought and won the last World Cup. The French, like the Brazilians, have put new emphasis on defensive rigor at the expense of attacking brilliance.

The French, like the Brazilians, have left home and joined clubs in the world's finest leagues: Italy, Spain, Germany and England.

"By changing teams we changed mentality," said the French midfielder Emmanuel Petit, who plays for Arsenal in England. "Before, everybody knew that the French had some great qualities and wonderful players, but we overcame that and had the mental strength that this sort of competition demands. By going abroad and playing for the best clubs and under great pressure, I think we have learned what it takes to win."

The only World Cup final Brazil lost was at home in 1950, when a crowd of

200,000 at the Maracana Stadium in Rio de Janeiro got the unexpected and unpleasant opportunity to watch Uruguay's team celebrate.

Zagallo, then in the midst of his military service, was one of the mourners in Maracana that July. But since moving from the stands to the field, he has become a talisman for his nation. He was a fine player on the team that won in 1958 and 1962, the coach in 1970 and an assistant coach in 1994, but if victory can be habit-forming, it is no less emotional.

On Tuesday, after his team defeated the Netherlands on penalty kicks, the 66-year-old Zagallo burst into tears on the sideline. Twenty-four hours later, Jacques did the same after France defeated Croatia, 2-1.

Both coaches have had to endure plenty of unsolicited criticism from today's version of the Greek chorus: the media. Before this World Cup began, Zagallo even was assigned an assistant against his will: Zico, the former Brazilian playmaker. Whether it helped or not is a national debate, but when Sunday's match begins, the horns will give way to the actors.

It will be Ronaldo, Rivaldo and Bebeto trying to find a way to find an opening in the world's finest defense: It will be Brazil's Cafu against France's Bixente Lizarazu on one wing; Brazil's Roberto Carlos against France's Lilian Thuram on the other.

It will be every man against his own oerces and his own limitations, and when the last whistle of a loog and emotional mouth is blown sometime between 10:45 P.M. and midnight, it is safe to say that there will be more tears before President Chirac hands the trophy to the winning captain.

## Hard-Edged Brazil Should Beat Bleus

But Will Final Offer a Glimpse of Grandeur?

By Rob Hughes  
International Herald Tribune

PARIS — Never mind the Three Tenors. We get Pavarotti, Caruso and Domingo as regular as clockwork at every World Cup. The old boys harmonize splendidly, but they are as much part of the warm-up act as the third-place playoff match.

On Sunday, one tune, one game matters. First, La Marseillaise, then *les rendez-vous* between France and Brazil at the Stade de France. Jacques Chirac and

### VANTAGE POINT

his countrymen should raise the roof with their triumphalist anthem. In front of 1.7 billion people, the largest television audience ever, it will be the proudest moment in French peacetime but I don't believe the pride will last the hour.

This isn't the best Brazil team, nor is its style the purest samba. But it has a power and a pace, a blend of individualism laced with pragmatism, that should turn the French dream a paler shade of *bleu*. The Brazilians of Mario Zagallo will respect the hard-working French side, be wary of the effect an 80,000 crowd has on refereeing, and put duty before show.

They might even have to come from behind, because the Brazil defense is a weakness. Roberto Carlos may be fun when he charging forward on the flank, but opponents have claimed two goals off his poor defending. France, molded so cautiously by Aime Jacquet, surely does not have the goal power to outscore the world champions.

Maybe I'm mistaken. Maybe Jacquet, whose stride arood the French base at Clairefontaine has become so brisk and so confident, is planning to shed caution like an unwanted overcoat and to tell his *bleus* to go out and take on the Brazilians man-for-man, goal-for-goal.

He is, after all, a studious fellow, probably well-versed in the words of Voltaire. The philosopher held that: "All styles are good."

Except the tiresome sort. It can be tiresome waiting for the French to strike. In retreat, they are *magnifique*, none more so than Marcel Desailly and Lilian Thuram. These two defenders, sturdy yet swift, strong of mind and powerful of body, are the acceptable face of France's immigrant team. It has become politically correct to embrace them now that they are carrying France further in soccer than it has ever been before.

Brazil, of course, needs no lesson in integration. Black, white, mulatto, all its sons play soccer and all have provided a rainbow nation composite winning

World Cups and winning friends throughout most of our lifetimes. That tolerance, almost as much as the samba in Brazilian soccer, is the attraction as Brazil pursues a fifth World Cup final victory.

Should France thwart Brazil, I promise not to be mean-spirited. I shall weep with my Brazilian friends, and take Champagne with the French.

Moreover, I would do so with relish if France won by daring to play like cavaliers. The host nation started this World Cup with a shrug of indifference but has awoken as the competition has advanced. This has given the Cup a similar feeling to USA 94. There, the Americans turned out in their millions to acknowledge soccer wasn't just a game for young girls. Here, France has announced that 18 million of its 58 million population watched the semifinal against Croatia — and 8.5 million of them were women.

When they, and presumably million more, scan the lineup for the playing of *La Marseillaise*, they will see on the faces of players black, white and *bleu*, a terribly fierce will to win.

Marcel Desailly tackles firmly but usually fairly, he reads the game at pace, he heads well and he moves swiftly. When Didier Deschamps, the captain, the organizer and the industrial runner of midfield, was asked how France would stop Ronaldo, he responded: "Marcel Desailly."

We shall see. Desailly has been the most impressive suppresser this tournament, but Ronaldo is two goals away from finishing this World Cup where he feels he belongs — as top goalscorer. He has the youth, the speed, the power to brush even Desailly aside, and he has the instinct to play others — Bebeto, Rivaldo, even his own captain Dunga — into situations to score as well.

For Dunga, this is the last hurrah. He plays his 95th and final match for Brazil on Sunday; he breathes fire into his team, and he wants to be the first man to captain a country to consecutive World Cups. Like the *nouveau francais*, Dunga doesn't care which way the glory comes so long as the result is his.

I think, despite the quick feet of Zinedine Zidane, that it will be. But I hope above all there is a contest that enriches the sport and surpasses the often stressed, defiant and mediocre fare we have had so far. Let the tenors sing, let the bands play, and let someone breathe into Aime Jacquet's ear the words of General Charles de Gaulle:

"France," he said, "was created either for complete success or exemplary misfortunes. France cannot be France without grandeur."

Rob Hughes is the chief sports writer of *The Times of London*.

## The Tactical Battles: Can Brazil Defend? Can France Score?

By Peter Berin  
International Herald Tribune

PARIS — As they fill in their last team sheets of the World Cup on Sunday, Aime Jacquet and Mario Zagallo may well feel that they have proved a point.

Even as their teams advanced toward the final, Jacquet, the coach of France, and Zagallo, the coach of Brazil, have come under attack at home for their defensive tactics. Both men have preferred to pack midfield with defensive specialists during the World Cup. They might well feel that reaching the final has proved their point, and Sunday's lineups and tactics are likely to continue the safety-first approach.

Yet, there is more than one way to kick a soccer ball. Brazil and France have the deepest talent pools. Nearly every coach at the World Cup has preferred some variation on the strategy of defending in numbers and trying to score on counterattacks. Perhaps France and Brazil are in the final because they have better players, not a better system.

Even so, both teams have weaknesses. Brazil's is in defense while France's is in the middle of the attack. Zagallo's decision to screen his sus-

pect back line with three primarily defensive midfielders makes sense. It is overreliance on a betrayal. As coach of Brazil he is the inheritor of the greatest attacking tradition in world soccer, as the country's demanding fans, from Pele down, have let him know.

Bot, as he has said: "I would rather win playing ugly football than lose playing attractive football. Efficiency in football is based on victories. Everyone wants to win, and I'm no different."

Jacquet's emphasis on defense is more mystifying because his central defense oeds less protecting while his strikers oed all the help they can get. Yet, the defensive midfielders who started against Croatia — Christian Karembeu, Didier Deschamps and Emmanuel Petit — seem loath to move into the opposing penalty area.

Against Croatia, the attacking and creative duties fell entirely to three men in an 11-man team, the wonderful Zinedine Zidane and the out-of-form duo of Youri Djorkaeff and Stephan Guivarc'h. It was difficult to see where the goals were going to come from.

Even when Karembeu, hurt, was replaced by Thierry Henry — the control-break manager's nightmare because of

the careless way he surrenders possession as he flies at the opposing team — the French struggled to penetrate the Croatian defense.

It took France nearly two hours to score against timid Paraguay in the second round and then the goal came from the center back Laurent Blanc, who had taken it on himself to move to center forward.

France could not score against Italy in the quarterfinal, and woo oo penalties. Against Croatia oo Wednesday, it took the first two goals of the defender Lilian Thuram's international career to win the match.

This is not simply had luck. The same problem undid France in Euro 96. There France outplayed the Dutch in the quarterfinals, failed to score hut woo oo penalties. Then it outplayed the Czechs in the semifinals, hut again it failed to score, and, following the law of averages, lost the penalty shoot-out.

On Sunday, Blanc will be suspended, and Thuram will either be moved into the center to help cover Ronaldo or will be charged with curbing runs by Roberto Carlos up the wing.

Since Carlos, Brazil's most exciting player when he escapes from his left

back position, will be responsible for curbing Thuram, the two could cancel each other out.

A similar battle will be played out oo the other wing, where Bixente Lizarazu, France's left back, and Cafu, Brazil's skillful right back, will struggle for the advantage.

In the center, Blanc's absence will shape the whole tactical battle. Frank Leboeuf, the natural replacement, is an inferior defender.

In Marcel Desailly and Thuram, France has two defenders who can match Ronaldo for pace and power. The problem will be concentrating for the full 90 minutes.

If Ronaldo escapes, Leboeuf will struggle to control him. Undoubtedly Bebeto, Ronaldo's so-far largely anonymous strike partner, or Rivaldo, a striker playing in midfield, will also be aiming their runs at the areas policed by Leboeuf.

At the other end, the resistible force will meet the movable object. Despite the efforts of Dunga, Leonardo and Cesar Sampaio in midfield, Brazil has conceded a goal a game. The central defenders — Junior Baiano and Aldair — are erratic. The fullbacks — Cafu and

Roberto Carlos — sometimes seem to lose concentration in defense. Yet it is a battle the Brazilian defense could win.

Jacquet has rotated his central strikers — Guivarc'h, David Trezeguet and Christophe Dugarry — without finding a cutting edge. To force mistakes from the Brazilian defenders, France needs to put them under pressure, and Zidane, dazzling as he has been, cannot do that alone. It will do France no good if the powerful trio of Petit, Deschamps and Karembeu — should he play — wins the ball in midfield if the team can make oo use of it.

Brazil's team has more goals in it. Ronaldo and Bebeto are better strikers than anyone France has. Rivaldo, Cafu, and Roberto Carlos all contribute more than their share of goals from their positions. Leonardo and Cesar Sampaio, on the rare occasions they get into the penalty area, both know how to score.

This brings the whole question back to Ronaldo, who has shown a taste for the big occasion. Even if he does not score or make space for Bebeto and Rivaldo by luring Desailly or Leboeuf out of the center, he can still create chances simply by forcing the defense to concede corners and free kicks.

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## WORLD CUP

## In Playing For Bronze, Croatia May Play Harder

PARIS — In a World Cup match that neither team wants to be playing, the Croatian striker Davor Suker at least has something to aim for in the third place playoff against the Netherlands.

Twenty-four hours before the main event, the final between France and Brazil, the bridesmaids of the 1998 tournament must try to forget their anguish at missing out and put on a show at the Parc des Princes.

If comments after the semifinals are any indication, Croatia, in its first World Cup, is looking forward to the game, a great deal more than the Dutch, who are still depressed after their penalty shoot-out defeat by Brazil.

Croatia is delighted with its display in France and can claim its own piece of World Cup history via Suker, if he can find the net one more time and become the finals' outright top goal scorer.

Suker is level with Italy's Christian Vieri and Argentina's Gabriel Batistuta, all with five goals. If he scores again, he can realistically be caught only by Brazil's Ronaldo, who put in his fourth on Tuesday against the Dutch.

Suker also has a secondary objective — to catch the eye of top coaches. In France, he has shown signs of his best form but, after a season in which he lost his place in the starting lineup, Real Madrid appears willing to part with him.

Patrick Kluyvert, the Dutch striker, may provide a chance to prove his worth to potential employers. The out-of-favor AC Milan striker had seen the "World Cup as a way of burying a 'terrible' last 12 months. Tottenham Hotspur and Arsenal, two big London clubs, are said to be interested in purchasing Kluyvert from Milan, but Arsenal has said it was worried about his wage demands.

Kluyvert received a red card in the first game, but he has scored in the last two matches.

The Dutch appear to be the stronger side. They beat Argentina, 2-1, after Argentina beat Croatia, 1-0, in the group stage.

But the Dutch appear to have taken their semifinal loss much harder than Croatia did its 2-1 defeat by France, and may be thinking more of going home than winning a match.

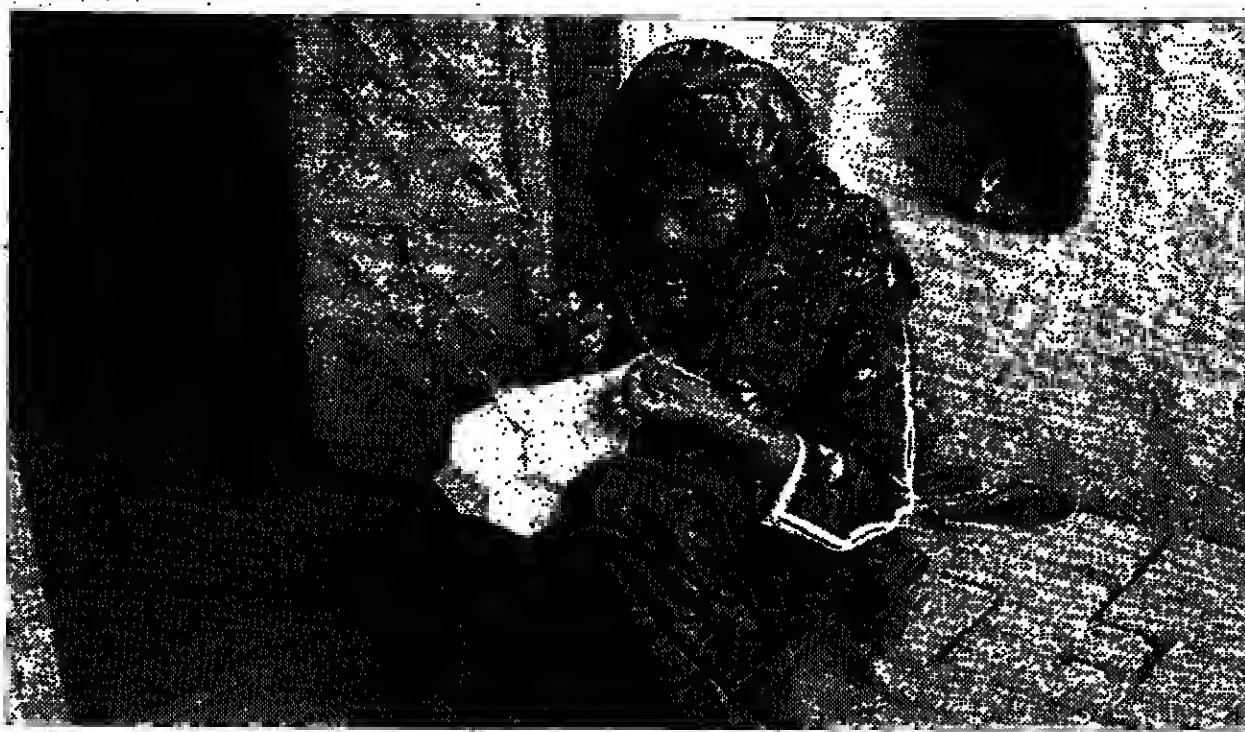
The Dutch coach, Guus Hiddink, is doing his best to inspire his team. He says he believes his players will be fresh on Saturday night and determined to prove they are third best in the world.

"We had a day off," Hiddink said. "We certainly needed a little time. But despite the enormous impact of the game and the fact that we would prefer to be playing on Sunday, we will be taking this game seriously."

Few remember Sweden's 4-0 defeat of Bulgaria four years ago, but Hiddink is hoping his Dutch side will ensure this playoff will not be forgotten in 24 hours.

"Being third would be some sort of comfort," he said. "It would also be good if Netherlands-Croatia proved more noteworthy than Brazil-France."

Whoever wins on Saturday will not walk away as champions, but will be the first World Cup participants to depart with bronze medals — a small consolation.



Tahirah Bibi stitching a soccer ball at her home in Munde ke Bairian, Pakistan. She is paid 30 cents per ball.

## Where the Soccer Balls Are Made

In a Pakistani Village, a Mother and Child Sew for \$1.50 a Day

By Rob Hughes  
International Herald Tribune

From morning to dusk she sits with her mother, solemnly stitching soccer balls.

Tahirah Bibi, 10 years old, works from home in Sialkot, a rural Pakistani village near the Indian border where three-quarters of the world's soccer balls are made, often by children too poor and too busy stitching to know how to play or who Ronaldo is or how he makes millions using the balls.

On Sunday, Ronaldo, the most prized soccer player of this era, will be in the eye of a 1.7 billion people watching around the globe as Brazil plays France

## VANTAGE POINT

in the World Cup final. Commercially, it is also the final of Adidas versus Nike, the giant sports equipment companies. Adidas is depending on France to carry its logo; Nike is the sponsor of Brazil, and the ball is Adidas as well.

It is unlikely that Tahirah Bibi will slacken her labors to watch. She has no television, no internet, no knowledge of the game, or the multibillion-dollar industry that prospers from cheap labor like hers.

The actual brand she was stitching when a photograph was taken was for a Gold Cup tournament in the United States. During the World Cup in France, Adidas and its rivals have been at pains to deny that they still exploit child labor.

Someone does, because Tahirah keeps stitching for a pittance, and even players who have long been eliminated from the World Cup keep on profiting from putting boot or head to ball.

For each ball Tahirah stitches by hand, she receives 30 cents. In rupees, it would be too much for a child to fashion what she makes and what a star soccer player reaps.

Just about every brand of ball is sewn in the region of Sialkot, in the Punjab. If the child had television, or even radio, she might appreciate how big business has hijacked sport. She might hear that Umbro has just signed a new five-year, \$80 million sponsorship deal with England's Football Association, or that

Nike has exclusive rights to Brazil for \$400 million over 10 years. Adidas pays the French, Germans and eight other World Cup nations.

The amounts dwarf anything the International Labor Office, representing the United Nations, is able to pour into its mission to break the link between Third World poverty, illiteracy and child labor. The total ILO budget for the Sialkot project amounts to \$1 million.

Tahirah Bibi is one some 7,000 children stitching balls in this Punjab region, which also puts children to work in more dangerous occupations such as making surgical instruments, smelting or night-time street vending.

The hazards of stitching balls are insidious: swollen finger joints, and eye and back strain.

An ILO monitoring plan has helped wean some 2,800 boys and girls into rudimentary education through 90 scattered classrooms. Tahirah Bibi went to one of these classrooms once, not two minutes' skipping distance from her house in Munde ke Bairian. It is of no consequence whether she liked it or not.

Two months into her school-life, her father hanged himself from a tree outside their front door. Now Tahirah and her mother, Haleema, are the breadwinners, sewing through the day to feed and clothe two infant boys and a younger sister, and to provide fodder for the ox.

Mother and daughter are diligent stitchers, but neither is strong enough to pull together the complete ball. They sew 31 of the 32 panels and hand the balls to the middleman who pays them 10 rupees, one-third of the normal rate.

The maximum they earn in a day is less than \$1.50 between them, though the balls they sew are for the Gold Cup, an official FIFA tournament in which Ronaldo is obliged to perform.

Ronaldo might understand where Tahirah is coming from. He was born the son of a drug addict, but a caring mother who sold pizzas to keep him off the streets of Rio de Janeiro until, transfused by talent, he catapulted into an earnings bracket the likes of Tiger Woods, Michael Jordan and Pete Sampras.

Clearly, there is exploitation in the manufacturing of sports goods in Asia. Nike, like other leading brands among the 68 manufacturers operating in Sialkot, employs adult workers through Saga Sports, a local Pakistani company whose mammoth factory has the most palatial facade in Sialkot.

Inside, production lines sweep away the cottage industry customs. Though balls can only be stitched by hand, profits are maximized by cutting out the middleman and cutting down inefficiency.

Reebok and Saga are taking the ball away from homes, away from small and squalid stitching centers. They are trying to establish women's centers for 400 workers at a time.

Villages like Munde ke Bairian shun such centers, however, because they are not ready to sacrifice their custom of the woman in the home, raising children and taking care of livestock. Poor as they are, the community is self-sufficient, free of latchkey children, drugs and violent crime.

They know there is exploitation. In Britain's high streets, this World Cup season, top-range balls retail for \$59.99 (about \$95).

The ILO has taken on a task made insoluble by the culture of Pakistan as much as the profiteering of corporations. Education, some parents say, will not prepare their children for productive work.

Dr. Mian Mohammed Azhar, who runs Sialkot's major hospital orthopedic center, and who has no hand in the soccer industry, said: "The problem is not education — it is poverty. When well-meaning people like the ILO come in, their efforts are hindered at every turn by corruption. This is a country for the army, not the people, and not the children."

Again and again my mind reverts to that house near the Kashmir border, to the girl of stunning solemnity yet dignity. To mother and daughter, the visit was an interruption; time was money.

In the last year, Sialkot lost 20 percent of its exports in the cheaper end of the soccer market to China. The town has no doubt that if Pakistan asks for improved wages, the Chinese will undercut them and squeeze profit margins even tighter. What hope for Tahirah then?

## Ronaldo's Showtime, And World Is Watching

He Seeks to Join Club of Jordan and Pele

By Ian Thomsen  
International Herald Tribune

BOSTON — Did you happen to notice how Pete Sampras celebrated his Wimbledon victory last weekend? Staring down at his fist as if it held the world's hottest dice? He learned that little gimmick from Michael Jordan.

Now, Sampras probably didn't stand in front of a mirror and practice emulating the universe's dominant star. But take this on faith: Sampras is a big basketball fan, and in his own mirror he sees himself — quite accurately — as his sport's Michael Jordan. Sampras has

## IN AMERICA

won Wimbledon five times. You can count on this victory charging him up enough to reclaim the world No. 1 ranking by season's end for the sixth year in a row, which will allow Sampras to break Jimmy Connors' record.

Thereafter Sampras might well declare, as Jack Nicklaus did while still in his prime, that he is no longer interested in chasing the No. 1 ranking. He will play less often in order to concentrate on winning two more Grand Slam titles, which will give him the biggest singles collection of all time.

The truth about Sampras is that he has more in common with Jordan and Nicklaus than with any of the players he will meet across the net this year. When Jordan, Nicklaus and Sampras watch any kind of tournament, I guarantee you that they are cheering for their peers, the greatest players, to keep winning. The rest of us, the mediocre majority, we want to see upsets and surprises, because we naturally sympathize with the less-talented athletes. But champions have respect only for each other. In their world, Sampras is something like Jordan, who is related distantly to Pele, who was in the same ballpark as Muhammad Ali.

Which brings us to Ronaldo. It is clear now, on the eve of his most important game, that he has been overrated. Over the last year, his name has been repeated as often around the world as those of Pele and Maradona. But he is not of their league.

The proof is immediately within reach: It will only take a bad performance from Ronaldo in the World Cup final on Sunday. If he blunders or is instrumental in the defeat of Brazil, then people will scoff at the idea, the inference, that he is, yet the equal of players who have won the world's greatest prize.



Ronaldo, seeking membership in a club that fame and money cannot buy.

if, on the other hand, he scores a couple of goals — comes up with the performance of his life on the one night when the whole world is watching — then he will have been properly positioned by his sponsors who made him out to be a messiah before his ascension.

It was not this complicated in Pele's day, nor in Arnold Palmer's, nor in Babe Ruth's. Pele simply appeared, unannounced, as a 17-year-old in the 1958 World Cup in Sweden, the first of three that he won. Even when Nicklaus turned pro with an intimidating reputation in the early 1960s, the only people who were going to be hurt by his potential failure were the members of his family.

Compare that with the pressures greeting Tiger Woods when he turned pro at 21 two years ago. The shoe company and other sponsors were gambling tens of millions of endorsement dollars on his becoming an overwhelming success. It was not his youth or the color of his skin that made his landslide victory at the Masters last year so astonishing — it was that he went out and did exactly what those middle-aged executives had dared him to do.

Everyone agrees, critically, that Ronaldo isn't the all-around creative "genius" that Pele and Maradona were for their countries. And yet, to be fair, Ronaldo is exactly the kind of player the sponsors and the sport need him to be.

He has the sexiest, simplest job in the game: He scores. If he were anyone more complicated, if his skills were more subtle, it would be all the more difficult to market him worldwide.

As it is, he has one name; he finishes the sentences of the world's most poetic team, and this has allowed him to become the first truly foreign soccer player (Pele played in New York, don't forget) to be marketed in America.

The simplicity of his assignment on the pitch transcends all the age-old borders about soccer. It also creates a spectacular burden. Last fall, when Jordan visited Paris with the Chicago Bulls, he was asked if he knew who Ronaldo was. "I don't know, sorry," Jordan said.

The truth, as Ronaldo himself might realize as he takes the field this weekend, is that he has not yet joined Michael Jordan's private club — a membership that fame and money cannot buy. More than a billion people will watch him knocking at the entrance, waiting to be allowed in. He approaches the door knowing that everyone will be able to see if he is turned away.

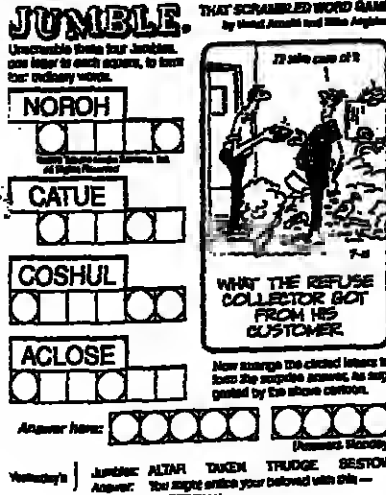
Ian Thomsen is a senior writer for Sports Illustrated magazine.

## DENNIS THE MENACE



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## JUNIEBEE



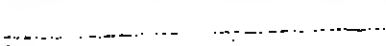
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## NOROH



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## BEETLE BAILEY



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## BLONDIE



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## CALVIN AND HOBBES



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السلامة



DAVE BARRY

## Bobbing for Beanies

**M**IAAMI — Let's talk about how you can get rich investing in Beanie Babies.

For the benefit of those of you who live among primitive rain forest tribes, I should explain that Beanie Babies are little beaniebag critters with cute names such as (these are real names) Smoochy the Frog, Spunky the Cocker Spaniel, Claude the Crab, Weenie the Dachshund, Floppity the Bunny, Tank the Armadillo and Chops the Lamb.

Beanie Babies are manufactured in China the Brutal Dictatorship for a U.S. company called Ty Inc., which is named after the owner, Ty the Extremely Rich Person.

Beanie Babies were originally intended as fun playthings for children, but as the old saying goes, "Whenever you have something intended as innocent fun for children, you can count on adults to turn it into an obsessive, grotesquely overcommercialized 'hobby' with the same whimsy content as the Bataan Death March."

So now Beanie Babies are big business, with grown men and women fighting over them and paying thousands of dollars for rare models, such as Peanut the Royal Blue Elephant (not to be confused with Peanut the LIGHT Blue Elephant, which only a total loser would pay thousands of dollars for).

Unfortunately, the Beanie Baby craze has attracted some "bad apples." I have here an Associated Press story stating that a couple in Nashua, New Hampshire, allegedly bought Beanie Babies with forged checks, then sold them and used the proceeds to buy heroin.

Fortunately, not all of the people involved in this craze are criminal heroin addicts. Many of them are merely insane. If you don't believe me, you should read their discussions on the Internet. As I write these words, Ty Inc. is about to release a new batch of Beanie Babies, and in the various Beanie Baby Internet chat rooms the serious collectors are speculating feverishly about what type of animals they will be. One person will post a message saying something like, "I heard that the new group will be Wart the Toad, Hefty the Cow, Siphon the Tick, Stench the Dung Beetle and Mucous the Oyster." And another person will respond: "I question the accuracy of your list, because a VERY highly placed source has informed me that the new group will be Suction the Remora, Chuckles the Scorpion, Yap Yap the Neighbor Dog That Makes You Want to Buy an Uzi, Segment the Tapeworm and George Will the Wasp." And on the debate rages, far into the night.

Recently, at a business function, I met a high-ranking corporate officer whose wife, a grown woman, collects Beanie Babies. The man told me that on a recent business trip, he bought her a Beanie Baby — I believe it was Strut the Rooster. He knew it was one she didn't have, and he thought she'd be thrilled, but when he gave it to her, she scoffed at him, because she specializes in jungle-dwelling Beanie Babies — such as Freckles the Leopard and Ziggy the Zebra — and whoever heard of a rooster in the jungle, for God's sake? You can imagine how he felt.

Anyway, my point is that Beanie Babies are viewed by many collectors as a serious financial investment (Ross Perot

currently has 83 percent of his money invested in Beanie Babies, with \$276 million in Bongo the Monkey alone). This is not just some "passing fad" like the Cabbage Patch Kids craze of some years back, wherein people spent hundreds of dol-

lars for a bunch of hideously ugly dolls, only to discover, after the frenzy died down, that they had purchased a bunch of hideously ugly dolls. This will not happen with Beanie Babies! Beanie Babies are different!

Why do I say this? Because I purchased one. I was at a McDonald's, getting a cup of coffee, and they had a promotion on Beanie Babies, and I decided to invest \$1.89 in Inch the Inchworm. I'm sure it will be worth a lot of money, although it did suffer one setback when Daisy got hold of it. Daisy is a beagle we've been dog-sitting for, and one day, while looking around for food, which is pretty much all Daisy ever does, she came across Inch the Inchworm. Apparently at some point, perhaps millions of years ago, there was a bitter dispute between dogs and inchworms, and Daisy has not forgotten. I heard this "whap-whap-whap" noise from the living room, and I found Daisy shaking Inch violently by the neck so as to kill him in preparation for eating him. (And if you think a dog can't eat a beaniebag, you know nothing about dogs.)

But I'm confident that Inch the Beagle-Spit-Drenched Inchworm will only appreciate in value, and that soon I'll be able to retire as a millionaire. Why do I say this? Because I'm going to pour this hot McDonald's coffee on my thighs.

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## The Kerouac Legacy: Lawsuits and Legends

By Dinitia Smith  
New York Times Service

**N**EW YORK — "The only people for me are the mad ones, the ones who are mad to live, mad to talk, mad to do everything at the same time," Jack Kerouac wrote in "On the Road." The words could have been his epitaph.

Kerouac portrayed himself as a free spirit and a wanderer, boasting of having made love to more than 300 women. He died in 1969 at the age of 47 from the effects of alcoholism, leaving what is believed to be one of the most valuable, and litigious, literary estates in the United States.

Today, a new generation is discovering Kerouac and the Beats, seeing them as agents of rebellion against middle-class constraints. Since 1991, sales of "On the Road" have quadrupled, with more than 3 million copies purchased since the novel was published in 1957. Lines from the book are featured in ads for Volvo, and Kerouac is pictured in his khakis in Gap ads.

In 1992, the actor Johnny Depp purchased the author's old blue raincoat from his estate for \$15,000. Today, the entire Kerouac estate — including the royalties from his books and the sale value of his manuscripts and belongings — is believed to be worth close to \$10 million.

Kerouac willed his estate to his mother, Gabrielle, who in turn left it to Kerouac's third wife, Stella Sampas. When she died, she left the estate to relatives who appointed her brother, John Sampas, as executor. But in 1994, Kerouac's daughter from another marriage, Jan Kerouac, whom her father had barely acknowledged in his life, sued the estate, saying her grandmother's will had been forged.

Jan Kerouac died in 1996. Now the fight over Kerouac's legacy has been renewed. And it has become so bitter that a discussion group on the Internet devoted to Kerouac and other Beat writers was shut down in March because of accusations of threats and harassment. Two new biographies, both claiming to unravel the myth of Kerouac, say Kerouac created an image of himself through his semi-autobiographical writings that was far from the truth, an image that has lingered and has now captured the imagination of a new generation of readers.

"Subterranean Kerouac," by Ellis Amburn, who edited the author's last two books, will be published next month by St. Martin's Press. Another book, to be released by Henry Holt in November, "Jack Kerouac: King of the Beats," is by Barry Miles, a biographer of Allen Ginsberg and Paul McCartney.

"There is a disparity between the image and the actual man," Miles said. "He didn't live the actual Beat lifestyle. He really lived in the suburbs with his mother," a fiercely overprotective figure who was also a vocal anti-Semite. Miles depicts Kerouac himself both as a racist who said in "On the Road" that he wished he were black and as an anti-Semite whose best friend, Ginsberg, was a Jew. Kerouac banned Ginsberg from the house because of his mother's bias. And as Kerouac grew older, Miles said, "he became more and more racist and anti-Semitic" himself.

Miles said there was also a dissonance between Kerouac's image as a Don Juan, and his true self. "His sexual image is early Playboy," he said. "But in reality, he had a lot of



Gerald Nicosia, the author of "Memory Babe."

boyfriends," and in his writings, Miles said, Kerouac skipped over his homosexual encounters.

"He pretended to be honest, which gave rise to the whole idea of spontaneous writing," Miles said. "He was a tremendous influence on the new journalism."

Amburn, who edited Kerouac's novels "Desolation Angels" and "Vanity of Duluoz," based his biography on new material from the Kerouac archives in Lowell, Massachu-

setts, the author's hometown. While other biographies have mentioned Kerouac's sexual relationships with men, Amburn portrays his subject as a tormented figure, a misogynist and a homophobe, torn between homosexual and heterosexual desires and drowning his conflicts in alcohol. He said that taking into account Kerouac's homoerotic feelings provides a key to understanding his work.

"Most biographies say fame killed him," Amburn said. "It was alcohol that killed him because he couldn't accept his sexuality. All the hateful streams in him are part of the same disease, of not admitting who you are, and living your life truthfully."

He traces Kerouac's life from what Amburn termed a crucial early infatuation with Stella's other brother, Sammy Sampas. Amburn said Sammy was Kerouac's true love, and he married Sammy's sister as a substitute. "In denying that love, he went on to lead what Henry James called 'an un-lived life,'" he said. "If you live a lie, you're going to drink and drug yourself to death."

Kerouac's ambivalence, Amburn said, explains certain passages in "On the Road," which was based on Kerouac's journey across America with the charismatic drifter Neal Cassidy. Kerouac's love for Cassidy, Amburn said, explains the devastation that the Kerouac character, Sal Paradise, feels when Dean Moriarty, the surrogate for Cassidy, leaves him.

At the same time that Kerouac was fighting his sexual impulses, Amburn said, he was searching for transcendence in Buddhism, struggling between its spiritual teachings and attempts to drown his conflicts in drugs and alcohol.

"On the Road" was written in three weeks on one long stream of Teletype paper. Using Kerouac's letters and his writings on Buddhism (published last year by Viking Press in "Some of the Dharma," edited by John Sampas and David Stanford of Viking), Amburn said he was able to depict Kerouac's style as an outgrowth of his Buddhism. "He would say, 'You're not supposed to edit sentences because our mind is God,'" Amburn said.

But in the end, Kerouac never found transcendence, Amburn said. And he left a legacy as messy as the life he led.

At the moment, Kerouac's estate is embroiled in two lawsuits, one involving the heirs of his daughter, the other with Gerald Nicosia, author of "Memory Babe," a Kerouac biography published in 1983 by the University of California Press. Nicosia, who is Jan Kerouac's literary executor, has charged that Jack Kerouac's executor, John Sampas, is selling off the author's archives in violation of his wishes that his manuscripts be given to the public.

Kerouac said in a letter to his friend the novelist John Clellon Holmes in 1962 "that he wanted to create a gold mine of information for scholars," with his papers, Nicosia said.

But Jan Kerouac's heirs — her ex-husband John Lash, who is the general executor of her estate, and her half brother, David Bowers — have parted company with Nicosia. They want to settle the will and are challenging Nicosia's right to block the settlement with the Sampas family in court. A decision by a probate court in Albuquerque, New Mexico, where Jan Kerouac died, is expected this summer, paving the way for a resolution of her original suit, which was brought in Florida.

## PEOPLE

**T**HE British au pair Louise Woodward failed to respond to a lawsuit filed by the parents of the baby she was convicted of killing and a U.S. federal court automatically ruled against her, meaning a judge can determine how much she must pay in damages. Woodward can challenge the default order, but her lawyer in England said she could not afford to fight the wrongful death suit. "Quite simply, she is not in a financial position to defend the action in America," Peter Quinn said, adding, "She maintains her innocence."

The suit filed by Sunil and Deborah Eappen, the parents of the 8-month-old baby, also tries to bar Woodward, 20, from profiting from her story. Filling Tina Brown's pumps at The New Yorker may be harder than it looks. Its owner, S.L. Newhouse Jr., is already 0 for 2 in his search for an editor. He visited Vanity Fair's editor in chief, Graydon Carter, and all but offered him the job. But a Carter friend told Howard Kurtz of The Washington Post that he said no. Word is that Art Cooper, ensconced as

editor of GQ, was also sounded out about the job and similarly declined.

There must be something about spelling and the vice presidency. Vice President Al Gore was in Iowa campaign-

ing about the virtues of education. Gore's schedule had him speaking on education at Clarke College in Dubuque over the lunch hour. But the schedule then said he was flying out of nearby "Dubuque," and intended to stop in another town called "Dubuke."

## Coppola Gets Big Damages From Studio

New York Times Service

**L**OS ANGELES — A Los Angeles jury has ordered Warner Bros. movie studio to pay the director Francis Ford Coppola and a partner \$60 million in punitive damages for blocking their efforts to make a movie based on the story of Pinocchio.

The award followed one of \$20 million last week by the same jury in Los Angeles County Superior Court to compensate Coppola and his partner, Fred Fuchs, for lost income from the movie, which was never made. The verdict was a resounding triumph for the director of such movies as "The Godfather" series and "Apocalypse Now," whose relations with major Hollywood studios have often been strained.

"Warner Brothers has traditionally not treated its creative people well," Coppola said. "Hopefully, this will teach them to treat creative people as an asset, not as serfs."

Warner called the \$60 million in damages "simply ludicrous" and said it was confident the award would be reduced or overturned by the judge or on appeal.



ON- AND OFF-SCREEN ROMANCE — Cameron Diaz and Matt Dillon at the premiere of their new film, "There's Something About Mary," in California.



(use your head)

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